The CREDIT WORLD

the only publication serving the entire field of consumer credit

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Over 51,000 credit executives read THE CREDIT WORLD

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Editor ARTHUR H. HERT *Associate Editor* LEONARD BERRY

Executive Vice President WILLIAM H. BLAKE

Washington Counsel: John F. Clagett, 301 E. Capitol St., Washington 3, D. C.

Advertising Representative

Samuel N. Turiel, 430 N. Michigan Avenue, Chicago 11, Ill., DElaware 7-3511.

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Consumer Bankruptcy Problems Today

LINN K. TWINEM
General Counsel
Beneficial Finance Company
of New York

(From PENNSYLVANIA CONSUMER FINANCE NEWS)

A FOUR HUNDRED PER CENT increase in consumer bankruptcies in the last 10 years obviously should be a matter of great concern. As you already know from your daily papers and other news media, credit men all over the country are becoming alarmed by this development.

A few figures indicate justification for the anxiety being expressed in so many of our states. The official records show that in 1950 there were 33,392 bankruptcy petitions filed. In the fiscal year ending June 30, 1960 there were 110,034 bankruptcy cases filed. In the fiscal year 1961 the increase is at even a greater rate. During July, August and September, 1960, 32,766 petitions were filed, almost as many as during the entire year 1950. Continuing the trend, the filings for October, November and December 1960 totaled 33,318. In the first half of 1961 there was an increase of 35 per cent in cases filed over the first half of 1960. In the first seven months of fiscal 1961, a total of 78,297 bankruptcy cases were filed, while during the like period of 1960, there were 56,776 such filings—an increase of 37.9%. The total filings for 1961 have been estimated at 143,000 by one of the best informed sources.

Moreover, there has been a change in the type of bankruptcy proceedings. In 1940, 25 per cent of the bankruptcy petitions were filed on behalf of business organizations. In 1960 only about 10 per cent involved bankrupt businesses and about 90 per cent are on behalf of individuals, almost all of whom are wage or salary earners. Furthermore, virtually all of the individual bankrupts have no asset estates and hence in most cases, there is nothing for distribution to creditors.

There has been a lot of discussion and much is being written regarding the consumer bankruptcy problem in the last few years. The long term trend toward bankruptcies has been overlooked or omitted, while some effort is made to explain the current picture in terms of unemployment. ("Actually, an unemployed person has no need for filing bankruptcy—his creditors can't get anything from him"—Hon. Raymond J. Pellman, Referee in Bankruptcy, Cincinnati). Little thought has been given to the elimination of the evils at the root of the subject, i.e., the causes of bankruptcy. Why do people fail? Why do people resort to their legal rights to discharge their debts rather than pay them through Chapter XIII of the Bankruptcy Act? The ramifications of cause and effect of bankruptcy run through all phases of our social and economic life. Whether it is the law that is defective, or our present credit system, or perhaps both, can only be determined by considering all the relevant facts.

To ascertain whether and how the situation may be improved, we must first know the causes of bankruptcy among consumers and the reasons for the great increase in the number of such bankruptcies.

Before examining some of the alleged causes of consumer bankruptcies, an interpolation may be appropriate.

In the evolution of American industry, three significant phases—mass production, mass distribution and then mass credit have been aided by the science of research. We no longer need any research to tell us that consumer purchasing power is vital to our economy—and that purchasing power depends to a large degree on Consumer credit. We seem unmindful, however, of the fact that in 1898 when the present basic bankruptcy act was enacted, consumer credit was unknown. As of the outbreak of World War I there was practically no consumer finance business in the United States. Most of the state laws relating to personal exemptions, attachments, garnishment of wages, and other state collection laws were also enacted prior to the advent of consumer credit. Hence, if the laws governing the rights and protection of debtors and credit granters are suitable, it would be by sheer coincidence. Unfortunately, experience negatives the coincidence.

The purpose of the Bankruptcy Act is: (1) to apply the property of the insolvent person or corporation to the payment of the debts with as little expense and delay as is consistent with their interests; (2) to relieve the honest and unfortunate debtor from his debts and give him another opportunity in the industrial life of the community. Actually, creditors in consumer bankruptcy cases now generally receive nothing through the bankruptcy proceedings and debtors receive discharges indiscriminately. Moreover, some honest bankrupts complain that after

they have been discharged in bankruptcy, they have been harassed and unfairly pursued by unscrupulous creditors. Obviously, the purposes of the act are not being fulfilled.

With this general observation, let us consider the views of some experts on the subject of bankruptcy.

Honorable Estes Snedecor, Referee in Bankruptcy, of Portland, Oregon, and a member of the Advisory Committee on General Orders in Bankruptcy appointed by the Chief Justice of the United States, believes that deficiency judgments, particularly from the sale of a repossessed automobile, and state laws that permit creditors to attach wages or salary, are the two principal causes of bankruptcy. (Ohio, another state in which deficiency judgments are common in connection with chattel repossessions has a high percentage of bankrupts. According to Referee Raymond J. Pellman, bankrupts "don't feel morally obligated to pay the amount of the deficiency because they have turned back the property.")

To support his views, Referee Snedecor points out, in 1959 the State of Kansas had 792 bankrupts with a population of 322,000, a ratio of 1:407; the State of Oregon had 2,357 personal bankruptcies with a population of 1,773,000, or a ratio of 1:752; the State of Illinois had 10,475 personal bankruptcies with a population of 9,889,000, or a ratio of 1:944; while the State of New York had 2,476 personal bankruptcies with a population of 16,229,000, a ratio of 1:6555; and the State of Pennsylvania had 162 personal bankruptcies with a population of 11,101,000, a ratio of 1:6852; and the State of Texas had only 61 personal bankruptcies with a population of 9,377,000, a ratio of 1:15372.

Fluctuation in the Number of Bankrupts

The wide fluctuation between the states in the number of bankrupts, unrelated to population, does suggest that the local laws or local conditions have some effect on the number of bankrupts. In fact, a bill is being prepared and will be submitted to the Illinois General Assembly, with the backing of Chicago's Mayor Daley and Governor Kerner, incorporating five measures to reform state wage seizure laws. The proposals, drafted by the Mayor's Committee on New Residents, are designed to curb instalment sales abuses.

They would abolish the confession of judgment; eliminate wage assignments; increase the present exemption on garnishment from $45.00 a week, to $45.00 a week or 85 per cent of the debtor's gross pay, whichever is greater; permit an interval of 30 days between two garnishments, compared with a one-day interval at present; and allow the employee and the employer to sue a creditor who has wrongfully garnished the worker's wages and make the creditor liable for damages and lawyer's fees. This action was taken after bankruptcies of wage earners reached the record high of 12,494 in Chicago in 1960—five times the total for all of New York State. Along that same line, Referee Snedecor has suggested amending the laws of Oregon, which like California and Illinois has a high ratio of bankruptcies, in the following respects:

1. provide that there shall be no deficiency recoverable after repossession of personal property
2. provide for the automatic exemption of at least 80 per cent of all wages and salaries.

There have been frequent complaints of late, that bankruptcy is just too easy for many irresponsible debtors. For instance, Honorable Miles C. Riley, Referee in Bankruptcy in Madison, Wisconsin has said:

"Years ago I came to sharply conclude that bankruptcy as now processed in personal, as distinguished from corporate, partnership, etc., cases, is simply too mechanical. This conclusion intensifies with time. Persons in financial distress now contact their attorneys who file petitions for them usually for adjudication and to obtain discharge. The bankrupt plods his way to discharge or denial and goes on without being skillfully advised as to why he became financially distressed or what he should do in the future to become a more worthy member of society.

"The process has been and is in these personal bankruptcies too mechanical and meaningless, principally because of lack of control by the court as to type of procedure and lack of skilled family management advice where it is sadly needed to the distressed. The process is initiated by attorneys who, first of all, are not skilled in family finance. I have practiced law for 52 years and should know. Then too, most lawyers know little about bankruptcy law, except that the petition for adjudication and discharge is to them the procedure. These attorney advisors make no distinction between the debtors who need but an extension of time in which to pay in part or in full, and the more unfortunate who, on the facts, are unable to meet any part of the debts.

Viewpoint of Public Good

"My experience as a Referee tells me that well on to one-half of all straight bankruptcy procedures initiated by persons should have been Chapter XIII or Chapter XI proceedings. This from the viewpoint of the Referee, the debtor himself and from the viewpoint of public good.

"Referees have broad powers to guide administration, but little, if any, as to type of procedure. Of course, Referees may advise, but they surely lack the power to direct as to type of procedure."

Honorable Ray H. Kinnison, Referee in Bankruptcy in Los Angeles, is of the view that the Referee should have jurisdiction to convert a straight bankruptcy into a Chapter XIII proceedings. This jurisdiction would give the Referee the power to correct those frequent cases of abuses, either by the bankrupt or by an attorney more interested in collecting a fee than in seeing that justice is done.

Selma Cash Paty, who practices law in Chattanooga, Tennessee, also regards the Act as too automatic. She says: "Any insolvent person may file a petition in bankruptcy listing his property, assets and obligations and the granting of the petition is almost automatic. In the usual case, the Referee has no discretion in granting or denying the petition."

A bank collection manager says: "I feel debtors are pampered—I believe total discharge of obligations invites abuse of the Bankruptcy Act and defeats its true intent, to alleviate an oppressive burden for an individual, not eliminate his responsibilities toward his fellow man."

As Thomas Jacob, member of Dun & Bradstreet, Inc. in Chattanooga observed, "Many individuals don't take into account their possible future ability to pay."

In the Boston study conducted in 1930 for the United States Department of Commerce by Messrs. Victor Sadd and Robert T. Williams, one of the suggested preventatives to curtail extravagance would be "a denial of discharge in bankruptcy to extravagant debtors until at least 50 per cent of the bankrupt's debts have been paid. This can be accomplished by forcing the debtor to amortize his debts out of future earnings over a period of time." (This suggestion was made prior to the 1938 amendment to the Bankruptcy Act which provided for wage earner plans under Chapter XIII, and which permits but does not force a debtor to amortize his debts.)

In line with the comments that the Bankruptcy Act may be too easy for some debtors, we have already ob-

served that the basic Act was enacted in 1898 and with no contemplation of the great changes brought about in the economic life of the country through the advent of consumer credit and the increased expense for consumer services. It would seem logical to assume that the Bankruptcy Act might need some overhauling to meet current conditions and practices.

Naturally many have pointed to the great increase in consumer credit as the primary cause. Obviously there is a rather close parallel between the increase in consumer bankruptcies and the increase in consumer credit. In the last decade there has been a 250 per cent increase in consumer credit and almost a 400 per cent increase in consumer bankruptcies.

Obligated to Lending Institution

In almost every personal bankruptcy proceedings, the individual is shown to be obligated to some type of a lending institution. The thesis by George L. Schaber submitted in 1959 to the School of Consumer Banking of the Consumer Bankers Association, entitled "Voluntary Bankruptcy,—A Growing Consumer Banking Problem," reports that loan companies alone were the type of creditor most widely represented. They ranked second both in number of loans and in total amount of indebtedness owed to them. Even so, and to muddy the water, those making personal loans can show in a rather convincing manner that the obligations owing to them represent consolidations of other indebtedness. An individual seldom borrows to obtain funds for investment or to cover future obligations. The borrower is usually already obligated beyond his present cash ability and borrows to protect himself from the consequences of his prior commitments. Once having become indebted to a lender for such a purpose, it may be difficult for some to extricate themselves from their new financial predicament. Quite possibly, there is a lot of passion and prejudice in the discussion of this type of indebtedness with not enough factual certainty and intelligent appraisal.

Some concern is now being registered with respect to the increase in consumers' service expenditures as contributing to the problem. According to the Federal Reserve Bank of Chicago, in 1959 services accounted for 39 per cent of consumer outlays, compared with 33 per cent in 1949. This is an increase of 105 per cent, while in the same period, the increase in consumption expenditures increased by only 73 per cent. The debt for services is different in nature inasmuch as a substantial portion is not payable in installments but usually monthly in full as it becomes due. By far the most important of the services is housing. Between 1949 and 1959, outlays for housing, including rent, more than doubled, accounting in the later year for 13 per cent of total spending and one-third of all spending on all services.

Doctors, hospital and other medical expenses as a group usually represent one of the most common type of indebtedness and percentagewise they are in the top three of the obligations listed by individual bankrupts. In one report it was stated that "Retail creditors were listed the most number of times with the financial institutions and the medical group in the second and third place. These three groups made up 82.8 per cent of the total listings and 73 per cent of the total different firms and individuals listed in the bankruptcy cases as creditors." Not only does the medical expense occupy an important position in the per cent and number of obligations, but it is also the type of obligation which is most frequently referred to a collection agency for collection. Debtors have often stated that pressure from such agencies was the immediate cause of their bankruptcy.

Other rapidly increasing service expense are electric, gas and telephone utilities. In 1959 these expenditures were more than 2.5 times greater than in 1949. Other services for which expenditures have risen rapidly include private education, entertainment and travel. While there has been a decrease in the motion picture box office receipts, radio and TV repair has increased from 200 million in 1949 to 780 million in 1959.

Various studies have found that the greatest single factor in the causes of bankruptcy is just sheer extravagance. On the basis of the study made in Boston in 1930, it was reported "After an appraisal of all related facts in each of the cases analyzed in this report, extravagance—or purchasing beyond ability to pay—was found to be the most frequent cause of bankruptcy. In the total group, 266 bankruptcies or 28 per cent were caused by extravagance. This cause was particularly prevalent among those in the lower income groups."

Many commentators believe that careless or irresponsible credit granting is one of the basic causes of bankruptcy. In answer to the Question "Why should so many individuals file bankruptcy petitions," Honorable Carl B. Friebolin, Referee in Bankruptcy in Cleveland, said: "My simple answer is: Credit men who can't say 'No'."

Relaxation in Consumer Credit Policies

C. E. H McDonnell, Esq., an attorney in Los Angeles in commenting on the increase in bankruptcies said: "I do not think that it can be denied that in the last 15 years there has been a general relaxation of the consumer credit policies throughout the United States. Here in Southern California, I note that with each year there is a growing pressure on wage earners to buy more and more of the goods of life on time. The recent growth of the credit card system in Southern California practically enables a man and his wife and family to live entirely without cash expenditures, charging things even so small as haircuts. All of this might not be so bad if not for the "hard sell" which induces people to purchase far beyond their means. I would say that not a day goes by that wage earners appear in our bankruptcy courts with total monthly payments in excess of the monthly take-home pay of the breadwinner. I do not excuse these individuals, but we must reckon with the fact that there are apparently those who because of lack of education or other factors are unable to resist the blandishments of a smooth talking salesman. So long as businesses extend credit to an individual without any substantial regard for his ability to pay, just that long will the bankruptcy curve continue to rise."

It is also charged that many sellers extend credit without any real inquiry as to the debtor's ability to pay or, in fact, without any real concern therefor. In some cases, they may have in mind the security or the fact that there is a large mark up for credit and they can afford to take

some losses to maintain a bigger volume.

There are numerous other contributing or primary causes of bankruptcy which appear with some frequency. Included are incidents of disaster or a change in marital status. Even more common are the cases of reduced income sometimes occasioned when a wife is no longer employed or the husband no longer has an opportunity to earn overtime pay.

A new chapter (Chapter XIII) was added to the Bankruptcy Act in 1938 designed to permit financially distressed wage earners to pay their debts on an amortized basis out of future earnings. In accordance with a plan approved by the creditors, the debts would be paid over a three year period through regular deposits made with a trustee appointed by the bankruptcy court. For reasons not clearly defined, such Plans are used mainly in Alabama, California, Georgia, Iowa, Kansas and Tennessee. Proceedings under the Chapter are seldom invoked in other states, and in some states, not at all. Why should there be this disproportionate use of Chapter XIII? Honorable Myron O. Banks, Referee in Bankruptcy says that the procedure is not used in other jurisdictions for two reasons:

"(1) the absence of wage garnishment statutes (Or where there are such statutes, the provision of relatively liberal exemptions), which tends to reduce the amount of financial pressure which can be brought to bear upon the debtor, and

(2) the fact that the Bar is generally unaware of the Chapter's existence or is unfamiliar with its provisions and procedures."

The Dean of the Referees in Bankruptcy, Honorable Carl D. Friebolin of Cleveland, Ohio, believes that the reason Chapter XIII Proceedings have received so limited an acceptance is because "the creditors are not in favor of it because it ties up the bankrupt's credit for three years; that is, for three years they may not take steps—at least legal steps—to collect their obligations; this means no new credit will be extended. This would probably be no answer in such states as do not permit garnishment of wages."

Causes of Personal Bankruptcies

Everybody has a theory as to the causes of personal bankruptcies and the reason for their increase and for the infrequent use of Chapter XIII, but does anybody really know?

Because there is no general agreement as to the causes of bankruptcy and possible remedies, it seems obvious that the first thing to do is to conduct a comprehensive study so as to really get the facts. Based on such findings appropriate remedies may be devised.

Studies have been made before, but they have been localized and otherwise limited in scope. For instance, the Consumer Credit Conference held annually at Washington University conducted a survey in the Kansas City and St. Louis area in connection with the 1957 meeting. The Conference then undertook to personally interview bankrupts to go into their background. A list of 305 bankrupts was assembled, but those participating in the advanced survey were able to track down and interview only 29. The result was so unsatisfactory that the project was abandoned.

More recently Wesley D. Harms, a graduate student at the University of Wichita made a study in the Wichita area with the assistance and guidance of Honorable Wesley E. Brown, Referee in Bankruptcy.

In 1938 the Kentucky Association of Personal Finance Companies made a survey of 282 wage earner bankruptcies in the Louisville area and presented some significant findings and suggestions to Honorable Elwood Hamilton, United States District Court, Western District of Kentucky. Then as previously noted, in August 1959 George L. Schaber prepared a comprehensive thesis entitled "Voluntary Bankruptcy—A Growing Consumer Banking Problem" based on a study of 222 bankruptcy cases in the Louisville area which was submitted to the School of Consumer Banking sponsored by the Consumer Bankers Association at the University of Virginia.

Prior to the other studies, and perhaps of the greatest significance is the study conducted on behalf of the United States Department of Commerce by Victor Sadd and Robert T. Williams in the Boston area in cooperation with the Institute of Human Relations and the Law School of Yale University. The report of that study entitled "Causes of Bankruptcy Among Consumers" was published by the United States Government Printing Office in 1933, but is now out of print.

Incomplete Records of Bankruptcies

Although the several studies are of interest and reach several common findings, still there has apparently not been a comprehensive, thorough, wide scale study of the causes of bankruptcy among individuals which may be accepted as a national finding and report. As Professor Carl Dauten found in his study and report presented at the 4th Annual Consumer Credit Conference held at Washington University in St. Louis in 1957, the studies so far have been hampered by lack of time, finances and incomplete records. There appears to be a great need for such a study. Although it is rather obvious that a study of the most thorough nature will not be able to fix the cause of bankruptcy on any one thing, even so, knowing the principal causes of bankruptcy with some certainty will create an important launching pad for corrective action.

A comprehensive study of the causes of bankruptcy is not only time consuming, but requires competent and well directed personnel. The study made in Boston in 1930 with the cooperation of the Institute of Human Relations and the Law School of Yale University is indicative of the value of a study, particularly if it can be projected in a larger geographical scale. The Boston study should be brought up to date and it is logical that the direction should come from a university staff in that area. If similar studies could be conducted in Chicago, Cleveland, Kansas City, Los Angeles, and perhaps in some city in Georgia, and the results coordinated, we would undoubtedly have a most valuable factual background.

The Consumer Bankruptcy Committee of the Section on Corporation, Banking and Business Law of the American Bar Association has made a recommendation to the Section that such a study be conducted. The study would require financial support. That is presently under consideration. We hope you will agree that such a study should be conducted and thereafter that any appropriate steps be taken to meet this bankruptcy problem.

Let me close with a word of caution. I do not want to paint the picture out of perspective. Following a national survey by consumer finance companies in 1950, it was found that only 1/3 of 1% of their customers proceeded in bankruptcy. Viewed in this light, we are far from a disastrous position. We have experienced a great increase in population and a much greater and more widespread use of consumer credit. It is therefore only natural that there should be some increase in the number of bankruptcies. Our problem then is to make sure that the bankruptcies do not develop out of proportion to such other basic factors. ●

Don't Let Stereotypes Warp Your Judgment

ROBERT L. HEILBRONER

(From THINK)

IS A GIRL CALLED GLORIA apt to be better-looking than one called Bertha? Are criminals more likely to be dark than blond? Can you tell a good deal about someone's personality from hearing his voice briefly over the phone? Can a person's nationality be pretty accurately guessed from his photograph? Does the fact that someone wears glasses imply that he is intelligent?

The answer to all these questions is obviously, "No."

Yet, from all the evidence at hand, most of us believe these things. Ask any college boy if he would rather take his chances with a Gloria or a Bertha, or ask a college girl if she would rather blind-date a Richard or a Cuthbert. In fact, you do not have to ask: college students in questionnaires have revealed that names conjure up the same images in their minds as they do in yours—and for as little reason.

Look into the favorite suspects of persons who report "suspicious characters" and you will find a large percentage of them to be "swarthy" or "dark and foreign-looking" —despite the testimony of criminologists that criminals do *not* tend to be dark, foreign or "wild-eyed." Delve into the main asset of a telephone stock swindler and you will find it to be a marvelously confidence-inspiring telephone "personality." And whereas we all think we know what an Italian or a Swede looks like, it is the sad fact that when a group of Nebraska students sought to match faces and nationalities of 15 European countries, they were scored wrong in 93 percent of their identifications. Finally, for all the fact that horn-rimmed glasses have now become the standard television sign of an "intellectual," optometrists know that the main thing that distinguishes people with glasses is just bad eyes.

How is it then, that we continue to entertain such cockeyed notions about the world?

The answer seems to be an inveterate trait in all of us to type-cast people—to imagine them, even to *see* them, not as they really are, but as if they stepped out of a Grade B movie. Introduce someone to a poet or a politician, a Texan or a teacher, and before he even shakes hands, he "knows" what the other person will be like: the poet, of course, will be a dreamer; the politician a glad-hander who's probably never read a book or been inside a museum in his life; the Texan an oil man or a cattle rancher; and the teacher mousy and pedantic. Of course, the poet *might* be like Wallace Stevens, who was an insurance executive, or the politician *might* be like Nelson Rockefeller, who is an art connoisseur, or the Texan *might* be a pianist, like Van Cliburn, or the teacher *might* be a comedian like Sam Levenson. But we would not expect them to be.

What we *would* expect are the stereotypes by which we commonly picture professions, nationalities, races, religions. Just name an occupation, and its stereotype image lights up: tough truck driver, stuffy banker, dumb cop. Mention a nationality and its ready-made portrait jumps up from the page: excitable Latins, stolid Swedes, or hot-tempered Irish. Think about any group of people — mothers-in-law, teenagers, women drivers, young marrieds, cannibals — and what Walter Lippmann once called a "standardized picture" forms in our heads.

Stereotypes, in other words, are a kind of gossip about the world, a gossip that makes us prejudge people before we ever lay eyes on them. Hence it is not surprising that stereotypes have something to do with the dark world of prejudice. Explore most prejudices (note that the word means prejudgment) and you will find a cruel stereotype at its core.

For it is the extraordinary fact that once we have type-cast the world, we tend to see people in terms of our standardized pictures. In another demonstration of the power of stereotypes to affect our vision, a number of Columbia and Barnard students were shown 30 photographs of pretty but unidentified girls, and asked to rate each in terms of "general liking," "intelligence," "beauty" and so on. Two months later, the same group were shown the same photographs, this time with fictitious Irish, Italian, Jewish and "American" names attached to the pictures. Right away the ratings changed. Faces which were now seen as representing a national group went down in looks and still farther down in likability, while the "American" girls suddenly looked decidedly prettier and nicer.

Why is it that we stereotype the word in such irrational and harmful fashion? In part, we begin to type-cast people in our childhood years. Early in life, as every parent whose child has watched a TV Western knows, we learn to spot the Good Guys from the Bad Guys. Some years ago, a social psychologist showed very clearly how powerful these stereotypes of childhood vision are. He secretly asked the most popular youngsters in an elementary school to make errors in their morning gym exercises. Afterwards, he asked the class if anyone had noticed any mistakes during gym period. Oh, yes, said the children. But it was the *unpopular* members of the class—the "bad guys"—they remembered as being out of step.

We not only grow up with standardized pictures forming inside of us, but as grown-ups we are constantly having them thrust upon us. Some of them, like the half-joking, half-serious stereotypes of mothers-in-law, or country yokels, or psychiatrists, are dinned into us by the stock jokes we hear and repeat. In fact, without such stereotypes, there would be a lot fewer jokes. Still other stereotypes are perpetuated by the advertisements we read, the movies we see, the books we read. For instance, a Columbia University group has pointed out that whereas 40 percent of our national population is a member of some minority racial, national or religious group, less than 10 percent of our magazine fiction heroes belongs to such a group.

And finally, we tend to stereotype because it helps us make sense out of a highly confusing world, a world which William James once described as "one great, blooming, buzzing confusion." It is a curious fact that if we do not *know* what we are looking at, we are often quite literally unable to *see* what we are looking at. People who recover their sight after a lifetime of blindness actually cannot at first tell a triangle from a square. A visitor to a factory sees only noisy chaos where the superintendent sees a perfectly synchronized flow of work. As Walter Lippmann wrote in his book, *Public Opinion*, nearly 40 years ago, "For the most part we do not first see, and then define; we define first, and then we see."

Stereotypes are one way in which we "define" the world in order to see it. They classify the infinite variety of human beings into a convenient handful of "types" towards whom we learn to act in stereotyped fashion. Life

would be a wearing process if we had to start from scratch with each and every human contact. Stereotypes economize on our mental effort by covering up the blooming, buzzing confusion with big recognizable cut-outs. They save us the "trouble" of finding out what the world is like —they give it its accustomed look.

Thus the trouble is that stereotypes make us mentally lazy. As S. I. Hayakawa, the authority on semantics, has written: "The danger of stereotypes lies not in their existence, but in the fact that they become for all people some of the time, and for some people all the time, *substitutes for observation.*" Worse yet, stereotypes get in the way of our judgment, even when we do observe the world. Someone who has formed rigid preconceptions of all Latins as "excitable," or all teenagers as "wild," does not alter his point of view when he meets a calm and deliberate Genoese, or a serious-minded high school student. He brushes them aside as "exceptions that prove the rule." And, of course, if he meets someone true to type, he stands triumphantly vindicated. "They're all like that," he proclaims, having encountered an excited Latin, an ill-behaved adolescent.

Hence, quite aside from the injustice which stereotypes do to others, they impoverish ourselves. A person who lumps the world into simple categories, who type-casts all labor leaders as "racketeers," all businessmen as "reactionaries," all Harvard men as "snobs," and all Frenchmen as "sexy," is in danger of becoming a stereotype himself. He loses his capacity to be himself—which is to say, to see the world in his own absolutely unique, inimitable and independent fashion.

Impoverishing as they are, stereotypes are not easy to get rid of. The world we type-cast may be no better than a Grade B movie, but at least we know what to expect of our stock characters. When we let them act for themselves in the strangely unpredictable way that people do act, who knows but that many of our fondest convictions will be proved wrong?

Nor do we suddenly drop our standardized pictures for a blinding vision of the Truth. Sharp swings of ideas about people often just substitute one stereotype for another. The true process of change is a slow one that adds bits and pieces of reality to the pictures in our heads, until gradually they take on some of the blurriness of life itself. Little by little, we learn not that Jews and Negroes and Catholics and Puerto Ricans are "just like everybody else" —for that, too, is a stereotype—but that each and every one of them is unique, special, different and individual. Often we do not even know that we have let a stereotype lapse until we hear someone saying, "all so-and-so's are like such-and-such," and we hear ourselves saying, "Well —maybe."

Can we speed the process along? Of course we can.

First, we can become *aware* of the standardized pictures in our heads, in other peoples' heads, in the world around us.

Second, we can become suspicious of all judgments that we allow exceptions to "prove." There is no more chastening thought than that in the vast intellectual adventure of science, it takes but one tiny exception to topple a whole edifice of ideas.

Third, we can learn to be chary of generalizations about people. As F. Scott Fitzgerald once wrote: "Begin with an individual, and before you know it you have created a type; begin with a type, and you find you have created—nothing."

Most of the time, when we type-cast the world, we are not in fact generalizing about people at all. We are only revealing the embarrassing facts about the pictures that hang in the gallery of stereotypes in our own heads. •

Special Voice For Consumers

(From BUSINESS WEEK)

PRES. KENNEDY'S New Frontiersmen are trying to devise a way to redeem his campaign pledge to give the consumer a voice in the highest councils of government.

In a campaign speech before some New York housewives, Kennedy promised to appoint a consumer counsel in the White House. The counsel would "help formulate economic policies which will keep a general rise in the price level from having a discriminatory effect upon wage earners of the United States and their families."

Special Report—Now it is a question of just how such a function should be organized and what kind of mandate it would have in representing consumers.

Mrs. Persia Campbell, Queens College economics professor who was consumer counsel to Gov. Averell Harriman of New York, is drawing up a report recommending the answer. She is slated to join the staff of the Council of Economic Advisers as the consumers' representative.

Actually, there is opposition to the whole idea of a specially designated consumer counsel, not only for the United States government but also at the state level. Mrs. Campbell's job with Gov. Harriman, in fact, was eliminated by Gov. Nelson A. Rockefeller, who turned over the function of the Bureau of Consumer Frauds under the state attorney general's office.

In California, there is mounting opposition to the Office of Consumer Counsel that Gov. Edmund G. Brown pushed through the legislature shortly after his election more than two years ago. The issue will come to a head during the current legislative session's budget hearings. Gov. Brown wants Mrs. Helen Nelson, the consumer counsel, awarded a budget increase to $104,962, some $30,000 over the 1960-61 fiscal year. On the other hand, the legislature's fiscal expert wants that request cut in half, and one assemblyman has introduced a bill to abolish the office.

"People's Lobbyist"—Mrs. Nelson gets $15,750 in salary, has a staff of five, including a special field man who earns $10,602. She likes to refer to her job as "people's lobbyist." Specifically, she is supposed to recommend consumer legislation, make reports to the people, testify at government commissions.

Thus far, Mrs. Nelson's office has recommended credit legislation to (1) prevent gouging of consumers, (2) protect buyers against adulterated or misbranded cosmetics, and (3) prevent inequitable sales tax charges by merchants.

Once "outright swindles" are eliminated, Mrs. Nelson says her job will be to look into other matters affecting the consumer's cost of living. She wants a lawyer and another staff man to increase her scope.

Opposition from Several Sources

It is doubtful the federal job would have such wide functions. The idea already has brought opposition from the U. S. Chamber of Commerce. It is against any "consumer's advocate" appearing before regulatory agencies. By adding another agency to those that already are heard by regulatory authorities, it says, would simply compound the problem of delays in decision-making.

All of this serves as little guidance for the Kennedy Administration. The Administration apparently does not contemplate a special White House office backed by a staff of lawyers who would intervene in proceedings. Rather, it envisions a small staff in the Council of Economic Advisers that would coordinate already existing consumer functions in the various federal departments, act as adviser to regulatory agencies, the Justice Dept., the President, and testify before Congressional committees.

Carrying out this job, the consumer counsel would consult with consumer groups outside the government, but probably would not have a formal organization.

Such areas as deceptive advertising and packaging where the Federal Trade Commission already has authority would be outside the counsel's jurisdiction, although the counsel might bring problems to FTC's attention. However, the counsel very well might take stands on such emerging issues as consumer credit legislation.

The job of pulling together the ideas about what kind of a consumer office the Administration should establish falls to Kermit Gordon, member of the CEA. He points out that the council itself represents the general public interest, which is almost the same thing as consumer interest. Thus, the special officer would deal with specific consumer problems such as credit control that do not fall into existing government agencies. One thing is clear: The consumer counsel would not get involved in wage negotiations, even though consumer prices are directly affected.

Budget Bureau Analysis—Besides the study Mrs. Campbell is doing, the Budget Bureau has nearly completed an analysis of what functions different federal agencies now carry out that amount to consumer representation and how effective they have been. There is talk of reviving the Committee of Consumer Advisory Representatives of the different government agencies that was set up during the New Deal but has lapsed. The idea would be to achieve some sort of coordination of consumer policy with the Administration's general economic policy. •

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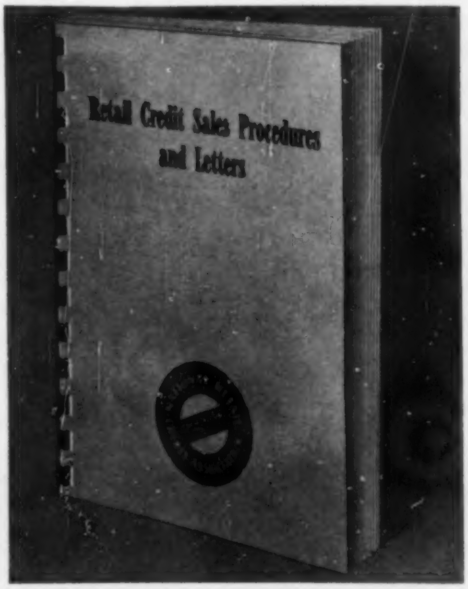

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HON. LUTHER H. HODGES
Secretary of Commerce

"WHAT MAKES AMERICA GROW?"

• *An address given at the 42nd Annual Meeting of the American Society of Association Executives, Denver, Colorado, September 4, 1961.*

I THOUGHT it might be useful to discuss our economic situation and opportunities in light of the changes that the recovery has brought. First, I think that even the optimists, and I count myself an old member of the club, have been somewhat surprised by the vigor of the economic expansion these past few months. Last winter, you may recall, most people figured there would be some sort of business recovery this year. But the general feeling was that the climb would be gradual and slow—saucer-like, the phrase went. Instead, we have had a sharp upturn in economic activity, a comeback that has been more V-shaped than a sensible saucer would dare to be.

What has happened shows most dramatically in the gross national product, which is the most comprehensive measure of the country's economic state. Between the first and second quarters of 1961, gross national product rose nearly 3 per cent, from a seasonally adjusted annual rate of $501 billion to $516 billion. This $15 billion gain was bigger than any of the increases in the initial quarter of the three previous recoveries. What is more, it carried GNP to a new record, topping the 1960 high by almost $9 billion in current dollars, and shading it even after correction for price changes.

Other figures — you can pretty much take your pick—confirm this recovery as probably the strongest since the war. The industrial production index, for instance, took just five months to climb back from its February low and to set a new record in July of 112 percent of the 1957 average. After the 1958 recession, industrial output needed 10 months to begin setting new highs. The fastest it ever reached new ground in a previous postwar recovery was seven months, following the 1949 dip.

Significant, too, has been the snapback in personal income—even though income did not drop as much in this last recession as it did in others. Ever since March, personal income has been running above the 1960 peak, setting new records month by month. The latest figures put the total at a seasonally adjusted annual rate of $421.8 billion, an impressive $18 billion above the trough of last February. Meanwhile, nonfarm employment has just about recouped its recession losses—nonfarm jobs in July were at a record level for the month—though the rate of unemployment remains distressingly and perplexingly high.

The surprising strength of this recovery, now being felt widely throughout the economy, has done much, I think to reassure Americans of the basic strength and capacity of this country. This is good. Confidence in our economic system has been basic to our progress as a nation and it is indispensable in these days of crisis in Berlin and incessant international tension.

But we would err, seriously, I think, if we were to regard this recovery for more than it is—a still very young cyclical phase. Encouraging though it may be, it is not the prelude to certain prosperity, nor does it signal the end to our economic troubles. Thoughtful businessmen, I know, recognize this, but the point needs stressing. For the problems that still press upon us for solution are far too serious to be addressed with complacency.

Let me be more specific. In order for this recovery to be truly meaningful to the economy, it must be transformed into a healthy, extended expansion.

Only a long stretch of high-level economic activity will enable us

to reduce unemployment to a bearable level, absorb idle capacity in steel, autos, and other industries, and make up for the year of lost growth that the recession cost us. Whether we achieve such an expansion will depend, to great extent, on whether we generate the demand to power it.

Thus the first problem—and it continues to be almost as pressing as it was six months ago—is to stimulate spending — not just by government, not just by business, but by the mass of American consumers.

The second problem that remains is to create the basis for long-term growth at a rate in keeping with our potential and our growing employment needs.

Once total spending is big enough to support reasonably full employment, growth in the immediate future will depend largely on the rate at which economic efficiency increases. New machines, new equipment, new factories can contribute significantly to greater efficiency. But they will not appear in sufficient numbers for rapid growth and continuing full employment unless the climate is more favorable to capital goods investment.

Thus we have need, increasingly urgent, to improve investment conditions — through tax incentives, through a healthier profit position for business, through the prospect of stronger demand in the future.

It seems to me that if anyone needed proof of the importance of high-level demand to the American economy, the experience of the last few years should be convincing.

In 1958, we had the beginnings of a promising upturn in business. But recovery barely got off the ground, never did turn into a healthy expansion, because demand was unable to develop.

Within a period of a little more than a year, the federal government shifted its budget sharply from deficit to surplus, cutting back its contribution to the income stream by $21 billion. As if this were not enough to depress demand, it then chose to continue some of the most severe monetary restraints ever imposed upon the economy. Finally, to make matters worse, there was the protracted steel strike of 1959, which further cut into incomes and spending and had long after effects.

These three factors, working together, stifled demand and prevented the increases that could have kept the recovery moving. The upturn was aborted, and instead of more expansion, we had the recession of 1960.

So far, in this present business revival, rising demand has been generated largely by three factors: (1) a halt in inventory liquidation, which has brought production requirements more into line with consumption; (2) some rise in consumer durable purchases, particularly of autos, from the low first quarter rates; and (3) increased government payments.

From the first to second quarter, federal purchases of goods and services rose about $2 billion at an annual rate.

In addition, the Kennedy Administration stepped up the release of already authorized spending for highways and other construction, extended unemployment compensation, increased the distribution of surplus food, and speeded the

• **THIS PICTURE** shows, left to right, William H. Blake, Executive Vice President, NRCA, who was Program Chairman for the Annual Meeting of ASAE; Luther H. Hodges, Secretary of Commerce; and J. Harold Bailey, President, ASAE.

payment of tax refunds and dividends on Veterans Administration insurance. These steps were designed specifically to combat the recession, to ease the misery of unemployment and stimulate demand for consumer goods, inventories, and capital items by adding to the incomes of individuals and business firms.

Government Spending to Continue

Given the defense buildup which the Berlin crisis has now forced upon us, it is certain that government spending will continue to increase the income of the economy and lend support to the expansion, at least for the short run. This will be helpful. But, as the past has proved, it takes more than income increments, government generated, to produce the strong rise in consumer and business demand that is essential to sustained, vigorous growth.

By and large, the American consumer is well-stocked today with all types of goods. True, there are still many low income groups with serious deficiencies. These we must help. But for consumers generally to increase their purchases sufficiently to contribute to further economic advance will require not just more dollars in the pocket, but resourceful, imaginative marketing by American businessmen.

You know, not so long ago the theory about consumers was that their spending habits were pretty much automatic. If incomes went up, spending went up correspondingly.

Today, in this country at least, we know that the old theory and reality don't quite jibe. Consumers are by no means spending automatons. The long-term rise in average incomes has given the majority of people a spending cushion—money for more than just their basic needs. And they are choosey with this extra money. Sometimes they buy automobiles, houses, appliances; sometimes they postpone their purchases. In short, a good share of consumer spending is now deferrable, which was not true, say, 50 years ago.

From 1956 through 1960, the ratio of retail sales to personal income after taxes ranged between 62 per cent and 65 per cent. In the last 12 months, it has slipped to about 60 per cent.

Granted that services are eating up more of our spending dollars these days—about 40 per cent of personal consumption outlays last year went into rent, recreation, and other services, compared with 37 per cent in 1956. Still it takes more than this to account for the lag in retail sales in this recovery and the actual turndown we had in July. Obviously, consumers have been playing it cautious, deferring some of their spending and hanging onto more of their dollars, perhaps because of job worries. It is significant that in the second quarter of this year, the savings rate was 7.1 per cent of personal income after taxes, compared with 6.5 per cent in 1960, and 6.9 per cent in 1959.

Value of Increased Spending

If we could convince people right now to spend at retail one percentage point more of their disposable income, we could raise sales more than $3½ billion, on an annual basis. And let me make one point perfectly clear: this would not be wasteful spending, short-changing our public needs.

There are legitimate latent wants all throughout this economy today, and their transformation into actual sales would have not only private, but public value. With increased consumption, and therefore production, we could both alleviate unemployment and poverty and make possible, through added government revenues, the expansion and improvement that we seek in public facilities.

How can we increase consumption? One sure way is for industry to produce more goods that consumers want—new products, better products, at lower costs.

I often think you could write a history of consumer buying in America right from the files of the U. S. Patent Office in the Department of Commerce. New inventions have not only brought massive shifts in consumer habits over the years, they have raised the total level of consumption again and again.

Think, for instance, of the markets that have been created and expanded by aluminum, magnesium, or the gamut of new electronic equipment. Think of the markets that new chemicals have opened up. More than 90 per cent of the drugs and pharmaceuticals in use today were developed in the past 10 years. The entire plastics industry is a recent research baby. Indeed, when you look at it, more than half the net income of the whole chemical industry is now derived from products that were not available 20 years ago. And the future will be just as revolutionary. Get ready!

American business these days should not be willing to sit back with its old products. It should be spending, increasingly, for research and development to devise new products and make old ones more appealing and competitive. We must step up research and speed the introducton of exciting products, if we are really serious about raising demand.

Energetic Marketing and Selling

I think America's trade and professional organizations have both an opportunity and responsibility to provide leadership in achieving a greater research effort by industry. I urge you to take up this leadership, using your fullest resources now.

A second way to increase consumption is by doing a more intelligent, energetic marketing and selling job.

A short while ago, I wrote a little piece for *This Week* magazine in which I said that if Americans would really start selling—imaginatively, aggressively, courteously—we could get this economy going at a rate that would surprise us all. The response I had from that article frankly amazed me. More than a million reprints were requested,

and upwards of 400 people wrote me personal letters about it.

Most of these people agreed that we were a long way from doing the kind of selling job we should in America, and they cited instances to prove it. One man, for example, said he had walked into a clothing store with $400 to spend. He first looked through the racks of top coats, hoping one of the salesmen would detach himself from conversation and try to sell him. Finally, he had to ask one of them to wait on him.

As things turned out, the top coat the gentleman was interested in was too long, and he asked the salesman to find something shorter. The reply he got was that there was nothing shorter in stock, and with that the salesman walked away from him.

Well, you can probably guess what happened. The customer took his $400, left the store, and the sale went a glimmering.

If you want more illustrations, tell each other your own experiences.

Energetic Salesmanship

All through our distribution system—at retail, wholesale, at the manufacturers' level—I believe there are sales that could be made if we just put forward an added measure of the energetic salesmanship that America is famous for. There used to be a little verse about this, maybe you remember it:

He who whispers down a well
About the goods he has to sell,
Will never reap the golden dollars
Like him who shows them round and hollers.

Seriously, marketing should not be just a passive mechanism for providing goods to meet existing demands; it should spur demand, take latent wants and crystallize them into actual sales, and therefore production. This has never been more applicable than it is today, nor have we ever needed more the leadership of our trade associations in arousing greater sales efforts. We cannot have mass production, mass employment, unless we first have mass stimulation of our latent wants.

The great opportunity we have for increasing the demand for American goods is, of course, far from limited to the United States. In the markets of the Free World, there is a vast potential for sales which can raise domestic profits and payrolls and improve our still worrisome balance of payments position. Take a good look at the present per capita income of many foreign peoples.

Increase Export Trade

Last month, I wrote a letter to more than 800 trade associations, many of which are represented here, asking them to undertake specific programs to encourage greater export trade by their members. I offered to have Commerce Department specialists call on them to help set up these industry programs.

In my letter, I pointed out that continued progress is being made in removing barriers to the sale of U.S. goods abroad. The expanding economies of the Free World, I said, are rich in potential sales for U.S. capital goods, consumer products, and services. This should be a challenge to the ingenuity, vigor, and resourcefulness of the American business community.

Today out of roughly 300,000 manufacturing firms in the country, only about 12,000, 4 per cent, are actively exporting. The products of thousands of American companies are unknown overseas, and in many parts of the world the U.S. industrial machine has only the most token representation.

Just recently we had a trade mission return from a trip to eight new West African republics. It found these countries tending toward liberalization of trade and eager to broaden the base and scope of their economies. But in the seven weeks the mission spent in West Africa, it did not see a single American salesman working the territory. On the other hand, it ran into many German and, of course, French sales-

men who were wide awake to the commercial potential of these markets.

Between the first and second quarters of this year, our export surplus of nonmilitary goods dropped from an annual rate of $6.7 billion to about $5.4 billion. With imports mounting as our economy picks up, we must increase exports or risk further damage to our balance of payments. We must enlarge the number of American exporters and aggressively seek the demand that exists overseas. May we ask your active support?

In the Department of Commerce we have developed a complete export program, showing firms how they can enter the market abroad. We are increasing U.S. participation in trade fairs overseas and the number of trade missions we send abroad. We are also getting news of export opportunities to businessmen more quickly than ever before.

Just lately Commerce and the Small Business Administration have worked out a joint program to encourage small companies to enter foreign trade and to give them greater help and counsel with export management problems. I hope you will urge all your members to take advantage of these services and I hope most strongly you will join in a greater effort, through your own industry programs, to get more companies into the export market.

If we can increase the demand now for American goods, both here and overseas, we can bolster the economy and quicken the processes, such as added capital investment, which we will need for long-term growth in the future.

Long-Range Economic Growth

Long-range economic growth depends on several forces, including investment: increases in the total of manhours worked, improvements in productivity brought about by innovation and greater technological knowledge and increased quality of the labor force. But while it is true that mere investment, without new knowledge and skills, cannot yield satisfactory growth, it is equally true that the knowledge and skills cannot be productive without taking shape in real capital. Without the prospect of new investment, much of the technological progress would never have occurred at all. In short, to accelerate growth, we must quicken the rate of productive investment, which we can do by building demand now.

I believe, if we research enough, market well enough, we can stimulate aggregate demand so that in the next year we can return to the reality of a high employment, high investment economy. What is more, I think we can achieve full employment and maintain it under conditions of reasonable price stability.

Even though there is little to fear from supply-demand inflation as long as we have substantial unutilized resources, this Administration is very much alert to the long-term threat of inflation. The President has not called for drastic emergency measures to deal with the recession. He has asked specifically that Congress not add to his legislative proposals. Moreover, he has strongly urged the enactment of badly needed revenue-raising programs, such as the increase in postal rates.

If business and labor also exercise economic responsibility to avoid cost-push inflation—the unions by keeping wage demands from exceeding improvements in general productivity; management by innovating lowering costs where possible—we can achieve full employment without destructive weakening of the dollar.

I have great confidence in the economic future of the United States. With recognition of our responsibilities, with dedicated effort by you and your members to foster demand and the forces for growth, I believe we can achieve not only progress, but the greatest realization yet of America's capacity for mass production and mass well-being. ●

How to Please the Boss . . . .

MARIE MUNDY
Southwestern Bell Telephone Company
St. Louis, Missouri

(From ANCHOR LINE, Boatmen's National Bank, St. Louis)

THE CUSTOMER is the boss. We are in business to sell a service, and we want to keep the confidence and good-will of all our customers. To do this, we strive to please the customer with the prompt, efficient and courteous service he wants. We want people to enjoy doing business with us.

The recent suburban movement has made it necessary for many customers to conduct their banking business by mail and telephone. To this ever-increasing number of people, the person they speak with over the telephone *is* the bank. The newspaper ads sometimes do little more than bring a flood of inquiries to the bank by telephone. For these and other reasons, the role which the telephone plays in our business is becoming more and more vital.

Whenever Mr. Customer comes to call on one of our representatives, he is given a cordial welcome. Mr. Customer is seated, and our man endeavors to let him know that we value his business. While Mr. Customer speaks, our executive listens intently. Mr. Customer's name is used throughout the conversation, and he is treated with courtesy and respect at all times. When Mr. Customer prepares to leave, our representative says, "Come in again —I'm always glad to have you call."

When Mr. Customer calls by telephone, however, the situation is somewhat different. He cannot see a smile of welcome; and, in fact, Mr. Customer sometimes doubts that he is receiving the full attention of the person with whom he is speaking. Therefore, a definite effort must be made to be courteous and helpful.

Welcome each telephone caller; telephone courtesy is good business. Treat each caller just as you would if he came in to see you in person. When the telephone rings, answer on the first or second ring if possible. A prompt answer is the first good impression on the caller, and your conversation is off to a good start.

Always answer calls pleasantly. When you answer in a cheerful, courteous manner, the customer feels his call is welcome. Friendly first impressions mean a great deal both to you and to the bank.

Not only is the manner in which you answer important, but the first words which you speak are very significant. Identify yourself or your department as you answer. (Never just say "Hello.") Knowing he has reached the right department or person puts the caller at ease and makes the conversation more personal.

The caller may ask you to take a message or you may offer to do so. Be sure you understand the message and don't hesitate to repeat it if you are in doubt. Write the message immediately. A written message placed where it will be noticed is better than a verbal one.

Always arrange for someone to answer your telephone when you are away. Be sure to leave word where you are going and when you expect to be back.

If you answer the telephone for someone who is out, show courtesy—but not curiosity. Ask the caller only what you must. You might say, "When Mr. Banks returns, may I tell him who called?" or "I'm sure Mr. Banks would like to know who's calling" It is quite all right to ask the spelling of an unusual name. This will help the person who returns the call.

If the customer is seeking information, tell him you will be glad to get it for him. If you need to leave the telephone to get the information, excuse yourself and give the reason. For example "I'm sorry, but I'll have to look at our records. Will you please hold the line for a moment?" If you think you will be gone longer than one or two minutes, it may be best to offer to call back.

Often the caller may not be just waiting for your return. His attention may have wandered to something on his desk or someone in the office or room with him. Whatever it might be, he may be thinking of something else and you will have to say something to attract his attention. If you do not, he may not understand your first few words and you will have to repeat what you have just said. This wastes time.

Attracting the customer's attention is not very difficult. If you have not been gone more than thirty seconds, you need only say "hello" or use the caller's name. If you have been gone for a longer period, you might say, "Thank you for waiting, Mr. Customer," or "I'm sorry to have kept you waiting." After you get his attention, go ahead and give him the information.

Try to keep in mind that even a minute seems much longer when you're waiting at the end of a telephone line. The caller is unable to see what you are doing, and he sometimes believes that he is being neglected or even forgotten.

While the telephone is lying off the hook, a conversation can be heard from 12 feet away. Never continue a conversation with someone in the office when the telephone is off the hook. It is not only rude to the customer, but the calling party may hear something not meant for his ears. Even though the conversation is not related to the call, it might be misunderstood by the customer and may result in poor business relations.

Once in a while when you answer the telephone you may find that you are unable to be of any help to the customer. Be sure to tell the caller that you cannot help him and that you are going to transfer his call to someone who can. Give the customer the name of the department or the person he will speak with. (In case the connection is broken, the customer then knows who to call.) Then depress and release the receiver hook slowly three or four times until the operator answers and tell her where to transfer the call.

It seems needless to say that anything in the mouth such as gum, candy, a pencil, cigarette, or cigar will make it more difficult for the caller to understand you.

Speak clearly in your normal voice with the mouthpiece of the telephone about one-half inch from your lips. If you speak too loud, your voice may sound blurry or gruff. Too low a voice is hard to understand and you may have to repeat what you have said. Speak neither too fast nor too slow. If you "talk a blue streak" you won't be well understood. D-r-a-w-l, and your words sound disconnected, as well as tired and listless.

End the call gracefully, in a way that will make your last impression a good one. Always thank the customer for calling. He should be allowed to hang up first. He may have one last thought and he will not like to find himself talking to a dead line. He originated the call and should have the privilege of ending it.

Incoming calls mean incoming business. Hundreds of people call for information who never come in person. The impression you make over the telephone is their impression of the entire organization. •

ONE CONSUMER CREDIT FAMILY

DISTRICTS — STATES

NRCA

ACBofA

CSD

CWBC of NA

JOINT-MEMBERSHIP

THERE HAS BEEN, since 1912, only *one* national organization representing all segments of the consumer credit profession . . . the National Retail Credit Association. Today 52,000 members strong, it is the spokesman for the consumer credit industry, the basic source of information on national credit problems, the leader in consumer credit education, the authoritative source for state and national legislative happenings, and consultant on sources of other credit activities.

NRCA members are the source of consumer credit transactions. Customer applications start the flow of cash into the business channel, the credit bureau, local credit executive's associations and credit women's breakfast clubs. We function as a team . . . *one consumer credit family.* We should make every effort to link together NRCA, ACBofA and CWBC of NA into one strongly linked chain at the local, district and national levels.

Now hear this! NRCA and CWBC of NA will be celebrating their 50th and 25th anniversaries at the 48th Annual International Consumer Credit Conference in Spokane, Washington, June 21-26, 1962. Let's all pull together to get 62,000 members in '62. Here is how you can help:

Credit men and women—you are the key to growth. You should personally initiate the 100 per cent service for all members of your Credit Bureau. An investment in NRCA is an investment in *your* future. NRCA works for you and your interests. Why not encourage others to join NRCA today?

Credit Bureau Managers . . . you are the key to organization. Around you revolve the wheels of credit. A 100 per cent local credit association is vital to your merchants and your success. It is important that your members be kept informed on national, state, and local affairs. NRCA is your strongest booster. NRCA members make better bureau members. Start a local association today.

Credit Women's Breakfast Clubs . . . you too are an important key to NRCA growth. NRCA members, your bosses, are the strongest backers of CWBC of NA. NRCA's growth and CWBC's growth go together. You are an important key to opening the door to 62,000 members in '62.

Let's weld together these three keys into one strong consumer credit service organization. Collectively we have a tremendous future . . . divided we are vulnerable to the dictates of others who would destroy our credit way of life. Let's all vote today to give NRCA service through the credit bureaus and through individual memberships. It's all out for NRCA . . . 62,000 in '62 . . . for "One Consumer Credit Family."

Golden Anniversary Joint NRCA Membership Committee

Dewey D. Godfrey

Melvin T. Warrick

Bruce K. Ward

Lily Person

People and Events

Sterling S. Speake Credit Schools . . .

Credit Schools will be conducted by Mr. Speake in the following cities during the month of November, 1961:

Wheeling, West Virginia	**Mansfield, Ohio**
Findlay, Ohio	**Houston, Texas**

If your city is interested in having a professional credit school for your bankers, businessmen, retailers and medical offices, please write the National Office for details and open dates.

S. H. Womack Schools . . .

S. H. Womack's "Customer Relations" Course has been scheduled in the following cities for the month of October, 1961:

Trenton, New Jersey	**Clarksburg, West Virginia**
Baltimore, Maryland	**Bristol, Virginia**

If your city is interested in having Mr. Womack at some future date, contact the National Office.

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Partnership in Credit Bureau leading to eventual sole control, where present owner is looking toward retirement. Interested in Bureau with or without collection department. Massachusetts, Rhode Island, or Florida preferred. Give details in first letter. Box 10611, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Missouri.

Help Wanted

MANAGER-SUPERVISOR for Credit Reporting Division of Boulder Colorado Credit Bureau. Must be thoroughly familiar with all aspects of credit reporting and have proven supervisory ability. Additional details regarding position open, plus employment application and questionnaire will be sent. Write A. K. McDonald, Box 267, Boulder, Colorado.

Position Wanted

CREDIT EXECUTIVE. Many years of experience in all phases of credit and collection work, including its legal aspects, account solicitation and credit sales promotion. Have handled financing of accounts receivable, by scheduling, indirect and direct financing. Have organized and managed a credit and collection department handling accounts receivable amounting to over $5,000,000 representing 25,000 and 30,000 accounts. Active in district and national affairs. Personal and business references furnished. Box 9616, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Missouri.

For Sale

37 Revo-Files, original cost $250.00 each. Capacity 8,000, 4" x 6" cards in each unit. Will sell entire quantity or individual units. Any reasonable offer considered. J. Cezard, Purchasing Agent, Peck and Peck, 260 Park Avenue South, New York 10, New York.

Boston Conference on Distribution . . .

"Distribution—Key to World Progress" is the theme of the annual Boston Conference on Distribution to be held at the Statler-Hilton Hotel, Boston, Massachusetts, October 16-17, 1961. This international forum on problems of distribution is important to American business and to those affected by international aspects of marketing and distribution. The National Retail Credit Association along with many other educational and business institutions are sponsoring the conference. A report containing all addresses will be published shortly after the conference. Order from Boston Conference on Distribution, Soldiers Field Station, Boston 63, Massachusetts.

Michigan Goes All Out for Prompt Pay All Year Around . . .

Selling the right usage of credit is one of today's greatest factors for increased business. Not only does credit granting create the money to finance sales, but urging prompt payment can help solve major problems arising from slow pay and slow turnover.

Shown on the opposite page are six new poster advertisements designed to carry a powerful credit sales promotion message. These have been made from NRCA's latest advertising mats. By advertising that it is smart to buy on credit, many customers are encouraged to use their credit potential to a greater degree. We have taken a positive approach in this series because it is necessary that we increase credit sales to keep up with mounting production of goods. The essential pay promptly theme underlies the dominant sales promotion theme.

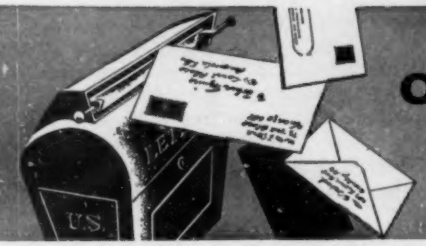
Shown below is a picture of one of these posters in Jackson, Michigan. On the left is Donald D. Falk, Vice

President and Controller, L. H. Field Company and Donald W. Prohazka, General Manager, Credit Bureau of Jackson.

The posters are 44 inches tall and 24 inches wide, and are built with an easel back. They are printed in two colors with three tones and make a beautifully attractive display for good customer traffic spots. Priced at only $60.00 FOB Grand Rapids, Michigan, for a set of six signs, this is a real bargain in color poster work. The name of your association, address and telephone number, if you wish, will be printed at the bottom for display.

Thirty-two Credit Bureaus in Michigan have purchased sets of these posters, displaying them throughout the State in stores, banks, windows, or wherever customer traffic is heavy. As a direct aid to credit executives and credit businesses these bureaus have hit upon an inexpensive method of continuous credit education to the public. Credit Associations and Credit Bureaus can best do this type of institutional advertising. You can place these beautiful posters in prominent spots throughout your retail area. Leave them in one spot or move them around from store to store.

Order a set from the National Office now and plan an aggressive sales promotion with year round customer education. Send your order to National Retail Credit Association, 375 Jackson Avenue, St. Louis 30, Missouri.



CREDIT DEPARTMENT *Communications*

LEONARD BERRY

THE TASK of the collection analyst is to find out *why* the bill has not been paid. Usually there are only two main reasons, inability and unwillingness. As a matter of fact, with reasonable prudence in opening accounts and fairly stable economic conditions, practically all credit users possess at least some *ability* to pay—what they often lack is *willingness*. Unwillingness to pay must be changed to willingness.

Collections thus become a matter of salesmanship. And salesmanship is largely the fanning of the flame of *desire* to pay the past-due bill, rather than using available current funds to buy other satisfactions. It is helpful to the collector to pinpoint as closely as possible the particular motivation to obtain payment to which a debtor might more readily respond. Let us look at some of these *causes of action*.

We all know how powerful a force is *habit*. When people acquire habits of prompt payment we have little to worry about. This is why we stress the importance of reaching every high school senior with consumer credit education. Prompt payment habits can be acquired even after several bouts with debt. Good habits can always be substituted for bad habits, if the motivation is strong enough. Often the credit counselor can provide that motivation and make a satisfactory credit customer out of a troublesome one. We should never let up on credit education for all.

Our most powerful ally in conducting a credit business successfully is this enormously influential quality of *habit*. Fortunately the great majority of people possess good pay habits.

When a collector finds a prompt pay customer in a past-due condition it is safe to assume that some unusual financial complications have occurred. The debtor must be approached with gentleness, consideration and cooperation. Such a debtor is likely to be deeply embarrassed at being unable to pay and sensitive to any imagined aspersions on his *character*. The smart collector will allow him to work out his own program of payment.

On the contrary, a debtor *not* in the habit of paying his bills promptly should be approached in an entirely different way. Here we are more sure of success if we use *compulsion* as the motivating force. Controls over these haphazard payers must be quickly and firmly applied. Reasonably safe credit limits must be determined and adhered to. Efforts to overbuy should be countered with courteous discouragement. If slowness develops, the collector should take a positive leadership position and insist on payment. This kind of debtor has to be made to do the right thing, while the one we mentioned earlier has strong inward drives prodding him to do the right thing.

Collection appeals can often be successfully directed to *reason*. Most people nowadays understand that extended credit is not free, that bills must be paid on time, and as agreed, if credit service is to be maintained. The other side of the ledger reflects payment performance. Debit and credit go together! People generally are coming to know that no transaction is complete until *both sides* have fulfilled their commitments. They know that each credit record at the credit bureau is a mosaic of tiny particles of evidence gathered from here and there, the sum of which is a picture of a person's credit life, and credit expectancy. All we have to do in many cases is to remind the debtor of the *reasons why* bills should be paid promptly.

Collections is a matter of using many kinds of tools adroitly and appropriately. Careful judgment and skilled analysis are necessary in selecting the right tool for the particular need. Collection analysts should practice this study of people and develop techniques in fitting the collection treatment to the individual patient.

This Month's Illustrations

Illustration No. 1. Some months ago Eugene L. Steele, Secretary-Treasurer, The Printz Company, Jamestown, New York sent two of his successful credit sales promotion letters to us. Here we show one of them. This is an excellent example of imaginative and creative thinking in credit sales promotion. It is in the area of *stimulating* new *credit sales* that the credit executive can earn higher recognition and greater rewards. I like what Mr. Steele said in his covering letter, ". . . our credit activities not only apply to the control of our accounts but to a large degree tie-in with advertising and sales promotion." How very true!

Illustration No. 2. Here we show a most effective inactive account letter from Douglas Evans, aggressive and promotionally-minded credit sales executive at Sample's, El Dorado, Arkansas. The names of customers are indeed valuable assets. Credit customers are far more valuable than cash customers for the simple reason that they buy more! Right now, as we swing into the peak shopping season of the year, make sure that every inactive account is written to suggesting resumption of credit relationships.

Mr. Evans also sent me his description of the new "Flexi" Charge Account developed by Sample's. This follows the modern trend towards simplification of credit service. Our members are constantly writing to us for ideas about such descriptive leaflets. Here is a good one. For added information we show the Payment schedule of the "Flexi" Account. If you wish more information, please write to Mr. Evans. I am sure he will do his best to answer any questions.

Illustration No. 3. This outstanding letter from the Merchants Ice and Coal Company, St. Louis, Missouri was sent several months ago to one of our office staff. It so impressed us that we saved it for an opportune time to share it with our members who are in that line of business. A credit sales letter, written in cordial and friendly manner, promising specific benefits to the reader and making it easy for him to respond, is worth its weight in gold leaf.

This is a note of appreciation to those who have sent in their letters and forms so that this popular feature may be kept going. It is also a plea to others to contribute *their* successful letters and forms for the good of all.

THE PRINTZ CO., INC.

WARREN, KANE, OIL CITY, FRANKLIN, MEADVILLE, PA. JAMESTOWN, OLEAN, NEW YORK. WARREN, OHIO

Jamestown, New York

(1)

Mr. Leonard Berry
National Retail Credit Association
375 Jackson Avenue
St. Louis 30, Missouri

Dear Mr. Berry:

Somewhere along the line we must have made a mistake in our records. We keep a list of all suits, coats and sport coats sold to our customers and the other day, Carl Pearson and I went over this list and just couldn't believe that your name hasn't been on it for two or three years. If I just missed your name, I'm behind the eight ball for writing this letter, but if you haven't been in, I would suggest that you come in and take a look at our new clothing right now.

This is our 75th Anniversary year at PRINTZ'S, so we have put an extra effort into selecting just the right coats, suits and sport coats for our stores. They are in stock now, so we ask you to come in and at least look at them and if there's something you want, take it with you.

If it's a matter of paying for it over a period of time, we'll arrange terms of 6 months, 3 months or we'll put it aside for you so you'll be ready for those beautiful Spring days when you'll want to look your best.

Cordially,

THE PRINTZ CO., INC.

Eugene L. Steele

Eugene L. Steele, Manager

P.S.: If our store hours aren't convenient, telephone us at 31-171 and we'll open the store anytime it is convenient for you.

Samples

(2)

Mr. and Mrs. John Doe
1111 South Park
El Dorado, Arkansas

It might be supposed that in a business such as ours where hundreds of persons are contacted monthly, that the absence of some would not be noticed - but such is not the case here.

We cherish as one of our most valuable assets the names of those whom we have come to look upon as friends as well as customers. When our records disclose a prolonged absence, we are anxious to know the cause.

If, perhaps we have offended you in some way or our service has not been entirely satisfactory, we would welcome the opportunity of correcting it.

In any event, we want you to know that we miss you and that we shall look forward to an early visit and the resumption of our business friendship.

Your account is still open on our books. Come in soon, won't you?

Cordially yours,

Douglas Evans
Credit Sales Manager

Samples

NEW

"FLEXI" Charge Account

THE ONE CREDIT PLAN TO FIT EVERY NEED

ALL THE FEATURES AND ADVANTAGES OF A 30-DAY ACCOUNT — The greatest improvement in credit service since charge accounts, Samples' *FLEXI* account gives you the convenience of shopping for all of your needs with the ease and convenience of a regular 30-day account . . . plus extended payment privileges when you wish . . . plus the added convenience of having only one account for all your purchases.

A REAL BUDGET S-T-R-E-T-C-H-E-R — Normally you may prefer to pay your account in full. However, for those special buying seasons such as Christmas, Easter, Vacation Time and Fall, you may elect to budget your payments over a period of months. The statement you receive each month will show your balance and a chart indicating the amount of your payment for that month. Then you make the choice — you may pay the full amount within 30 days or any amount you wish so long as you pay at least the required amount. A small service charge will be added to the unpaid balance each month. If the account is paid in full, there is no service charge.

YOU MAY ADD PURCHASES AT ANY TIME — so long as regular monthly payments are made. No need to wait until balance is paid . . . NO VISIT to the office necessary . . . No down payment required. All the convenience of a 30-day account plus *FLEXIBILITY*.

AVAILABLE TO ALL CHARGE CUSTOMERS OF SAMPLES — The sensational new *FLEXI* charge plan is being offered to Samples customers who may wish to use this convenient plan. If you do not now have a *FLEXI* and wish to convert your present account to this plan, just call, stop by the mezzanine office or mail the coupon on the reverse side.

You'll enjoy using the new *FLEXI* charge account. It has been carefully planned for your convenience and shopping ease.

Samples
EL DORADO, ARKANSAS

MERCHANTS Ice & Coal Company

Distributors of

"DESERT HEAT THRU WINTERS COLD"

Sahara WASHED COALS

General Office: 320 N. FOURTH STREET, ST. LOUIS 2, MO. · CHestnut 1-8550

May 1961

(3)

We missed you!

Our drivers and yard manager asked about your delivery. We too, here in the office wondered why we did not hear from you.

Losing a good customer is like losing a good friend. We would not let either drift away in silence without finding out if we have been at fault. If there is some misunderstanding or error on our part, we shall be happy to try to adjust it.

As a thrifty suggestion, right now is the time to fill your coal bin - NOW when prices are the lowest they will be for the season.

Moving into our yard all through May and early June, will be fresh mined, Highest Quality coal, in all grades and sizes - Washed - Dustproof - Clean and all at a price that means a real saving to you.

A deferred monthly payment plan may be arranged if more convenient.

We would again like to supply you - Quality coal - reasonable prices - good service. Call us now - Phone CHestnut 1-8550. We are waiting for your order. The enclosed (postage-free) card may be used if more convenient.

Cordially,

MERCHANTS ICE & COAL COMPANY

Merchants Ice & Coal Co. Date ____

Enter my order for ____ tons of ____ Coal.

Call and arrange convenient time for delivery.

I did not buy because:

☐ Changed to other type of fuel - ☐ Oil ☐ Gas

☐ Other - Please note below.

Phone ____ Name ____

Address ____

"FLEXI"
PAYMENT SCHEDULE

When your monthly balance is	Your payment for that month will be
\$5 to \$30	\$5.00
\$31 to \$45	\$7.50
\$46 to \$60	\$10.00
\$61 to \$75	\$12.50
\$76 to \$90	\$15.00
\$91 to \$105	\$17.50
\$106 to \$120	\$20.00
\$121 to \$135	\$22.50
\$136 to \$150	\$25.00
\$151 to \$165	\$27.50
\$166 to \$180	\$30.00
Over \$180	1/6 of Balance

STATE LEGISLATION

Minnesota: The Governor has asked State Attorney General Walter F. Mondale to study revolving charge credit plans to determine if such plans violate state usury laws. Governor Andersen in a letter to Mondale asked for his opinion on the following: "Are sales under such revolving charge plans sales at a time price? If not, what action, if any, may the state take to prevent or remedy the operation of such plans if they violate usury statutes?"

Wyoming: In a ruling which may be appealed to the Wyoming Supreme Court as a case to test the constitutionality of the 1937 state fair trade act, Judge Sam M. Thompson of Laramie County District Court refused to grant a permanent injunction against Zale's Jewelers, Cheyenne, to restrain the firm from selling Bulova watches below fair trade prices. Judge Thompson, who earlier refused to grant a temporary restraining order against the store because of doubts about the legality of the non-signer provision, again questioned the constitutionality of the clause in his decision. He said the basis for denying the permanent injunction was his opinion that the clause violates a basic principle of contract law in that a contract is a meeting of the minds of individuals. "There must be assent and agreement in contracts to make them binding," stated the Judge. "The section in question binds non-signers. Sending a copy of the manufacturer's agreement with one retailer is not enough." The Judge held that consumers are harmed by fair trade acts; they are compelled to pay fixed, higher prices to guarantee a profit to the retailer, and the acts are enacted for private rather than public gain.

Tennessee: More than half of 70,000 food packages checked in four Tennessee cities by the State Agriculture Department were found to be either of short weight or incorrectly priced. The survey was reported to have been conducted in 153 groceries in Memphis, Nashville, Knoxville and Chattanooga. Commissioner Moss said that "We have issued stop-sale orders on all short-weight packages detected and we will not hesitate to prosecute second offender under the act." Matt Jennings, who supervised the survey, said most errors resulted from carelessness and insufficient supervision of store personnel and not from any desire by the store management to cheat their customers. "Most store managers," said the inspector, "were happy we discovered these practices because it would help them improve their efficiency."

District of Columbia: A bill to permit merchants in Washington, D.C. to give away trading stamps was approved by the Senate District of Columbia Committee. The measure would repeal the city's 19th century gift enterprise law which prohibits businessmen from giving away any kind of gifts to their customers. Washington merchants have protested that the old law puts them at a disadvantage in competition with Virginia and Maryland concerns which give customers stamps.

Washington: Enforcement of a new Washington state consumer protection law is well underway according to Attorney General John J. O'Connell. He stated that general injunctions have been obtained against several firms, individuals and organizations who allegedly have violated the law. The law prohibits unfair and deceptive acts of commerce, conspiracies and contracts in restraint of trade and exclusive dealing contracts. A separate law forbids false advertising. O'Connell won the 1961 Wyman Award as the outstanding state attorney general in the nation.

Idaho: Inspectors of the Idaho State Department of Agriculture are making regular checks in the state's retail stores to prevent any evasion of regulations dealing with weights and measures. With the changing packaging methods, the department is making additional inspections to see if the packages are correctly labeled. Commissioner Trenhaile said that "flagrant abuses of the pricing and weighing statutes" have been called to his department's attention.

Pennsylvania: A bill to extend the ban against Sunday sales to include grocery stores and supermarkets employing more than nine persons was given final passage and sent to the governor for signature.

Kentucky: Governor Combs was urged to adopt a policy for Kentucky that would curb an expanding field of competition in the small loan field. The proposal came from directors of the Kentucky Consumers Finance Association. Under the change sought, the state banking commissioner would give 20 days' prior notice to small loan companies affected by new applications. The commission, on request, would hold hearing before acting on permits.

Missouri: Governor Dalton signed into law the "Missouri Retail Credit Sales Act" which among other things sets up time or interest charges for retail merchandise as well as almost everything else but motor vehicles. Autos were covered in a companion measure which failed to pass. Under the bill, 12 per cent is the top on purchases under $300. There is a 10 per cent bracket up to $1000 and 8 per cent above that.

Texas: Governor Daniel has announced plans to call a fall special session of the Texas legislature at which proposed small loan regulatory legislation would be among the matters considered. Texas voters approved a state constitutional amendment permitting the state legislature to set special maximum rates on small loans in excess of the old constitutional limit of 10 per cent and to license and regulate the small loan field. The regular 1961 session failed to enact any small loan regulatory laws. Since adjournment, a committee headed by State Attorney General Wilson has been drafting new small loan legislation which is expected to be introduced in the special session.

Wisconsin: A bill backed by the Wisconsin Bankers Association to raise from 10 to 12 per cent the maximum interest on instalment loans under $5,000 was given final passage by the legislature.

Connecticut: All vending machine operators in the state beginning in October will have to register with the commissioner's department and pay a fee of $25.00. Each machine will bear a tag showing registration number.

From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel

NATIONAL RETAIL CREDIT ASSOCIATION, WASHINGTON, D. C.

Formation of policy by Congress on the question of garnishment of salaries of Federal civil employees — What is the picture or prospects today? — The salaries or wages of delinquent federal employees are exempt from garnishment under the doctrine of sovereign immunity, that is, departments and agencies are not subject to garnishment process in the absence of Congressional consent, which has never been given. There is one exception in the prevailing situation, namely, certain government corporations, under charters, are specifically allowed to sue and be sued, the latter including garnishment process.

The attempt to gain Congressional approval of garnishment of the salaries of federal civil employees goes back to the 78th Congress. Then H.R. 2985, sponsored by then Congressman Kefauver of Tennessee, passed the House but failed of action in the Senate. Subsequently Congressman Thomas B. Curtis of Missouri introduced his first bill, similar to the Kefauver bill, in the 83rd Congress, and has re-introduced it in each succeeding Congress. Brief hearings were held on the Curtis bill in the 83rd Congress, but it was not reported out of subcommittee. Of course, Congress has long since, in enacting legislation for District of Columbia, provided for garnishment with respect to private sector of the economy.

Recent actions, both in executive instrumentality, and in the Congress, appear to point to the fact that government is moving away from, rather than closer to, garnishment legislation affecting federal agencies and employees. H.R. 3156 is a bill, introduced in the House at the request of the Panama Canal Company, and passed without debate on August 21st, which would provide that "no attachment, garnishment or similar process shall be issued against salaries or other monies owed by the Company (Panama Canal Company) to its employees." (There has been no action, and will be no action in the Senate this session.)

Indeed, further, why not proceed to establish a uniform policy affecting all government agencies, which has been the objective of the Kefauver and Curtis bills? A general federal law, setting standards, might also go a long way to encourage uniformity and excellence among all the states, and there is need for both improvement and substantial uniformity in garnishment of wages procedure throughout the country. It has been authoritatively asserted, for example, that one of the principal causes of the mounting personal or consumer bankruptcies is the fact that in certain states there is no substantial protection of debtors in the form of salary or wage exemptions. Bankruptcy Referee Estes Snedecor of the District of Oregon has stated to the American Bar Association Committee on Consumer Bankruptcy:

"We have mentioned some of the underlying causes of consumer bankruptcies **but the one and only primary cause** is the garnishment or threat of garnishment of wages coupled with an inadequate wage exemption law. While the Bankruptcy Act is a federal law uniform throughout the nation, it grants to the bankrupt only such exemptions as are provided by the law of the state in which he is a resident . . . this is why Oregon, California and Illinois have so many more bankruptcies in proportion to population than other states. It is due simply to a harsh and unworkable exemption statute on wages."

Today, consumer credit is a vital part of our mass production and distribution systems. Without it the wheels of commerce would stop. The vast structure and volume of consumer credit is based upon the integrity of the consumer and a promise to pay from future earnings. Nevertheless, the machinery to enforce the promise to pay in a small but important segment of all cases is a necessary part of the foundation upon which the superstructure of consumer credit is built. Garnishment is but one link in the chain of machinery that is required to make our distribution system work. To allow the breakdown of any one link — such as garnishment — tends to permit deterioration of the moral as well as the legal suasion to "pay as agreed." Here, again, the American Bar Association Committee on Consumer Bankruptcy has stated, as one of its findings, that breakdown in the moral climate is a major cause of the drastic increase in bankruptcies filed by individual consumers.

If proof be needed that the right of garnishment (based of course on a good law — not a bad one such as indicated by Referee Snedecor) is a salutary tool to protect against delinquency and non-payment of obligations, it is to be found specifically in procedure recently adopted by Uncle Sam himself in his work as the biggest collector of them all. In the period 1952-54 the Internal Revenue Service suddenly woke up to the fact that its poorest collection record was at the seat of the national government involving the government's own employees. A newspaper account at that time described the situation as follows:

"Senator Williams (R. Del.) said today an estimated 25,000 federal employees are evading payment of income taxes and the government is powerless to collect from them. Some of the tax dodgers, Williams said, work in the Treasury Department. Terming it a shocking and disgraceful situation Williams said he will ask Congress to enact corrective legislation. Filing returns makes federal workers safe from prosecution he said, and the government can't collect the tax because a federal law prohibits the salaries of government employees being attached. Like other taxpayers, most federal employees are subject to the withholding tax which keeps income taxes paid on a month-to-month basis. But in some cases, Williams said, the withholding tax is not enough to cover all the tax due."

This machinery of levy and distraint first made available against Federal employees in the tax revision law of 1954 has apparently proved to be highly effective, and there has been a gradual lowering of delinquencies among government employees. It will be noted that this procedure of levy and distraint in the case of past-due taxes is similar to attachment or garnishment of wages for debt, although ten-fold easier and quicker of application. The latest report of the Treasury Department on all tax delinquencies for the year 1960 shows the number of cases as 1,023,770 and the dollar volume to be $1,072,440,000. How much larger these figures would be were it not for the procedure of levy and distraint — so equivalent in nature and effect to garnishment — no one can say. •

SALES PROMOTION
INTERVIEWING
INVESTIGATING
AUTHORIZING
BILLING
COLLECTIONS
CONTROL

The CREDIT CLINIC

A "give-and-take" page, wherein readers may ask—and answer—questions about their credit and collection problems and solve them in the laboratory of practical experience.

Public Utilities

QUESTION

"There seems to be a trend toward securing deposits on a high-loss area basis. Are these deposits being obtained without reference to the particular customer's previous paying record, and if so has there been any appreciable amount of customer resistance to the request?"

ANSWERS

W. T. Barnhouse, Office Manager, Southern Union Gas Company, Austin, Texas: My feeling is that more and more companies will be going to this type of security deposits. My company has experienced a large portion of its losses in certain easily definable areas and we have concentrated a large part of our credit efforts there. Deposits in these areas should be obtained without reference to the particular customer's paying record and I feel you will not encounter any large amount of customers resisting.

C. A. Burns, Credit Manager, Union Electric Company, St. Louis, Missouri: We have made several studies of residential accounts on which we have encountered losses. We found a large percentage of these accounts to be located in certain areas; and that substantial percentage of those accounts had been paid promptly, or without serious collection effort having been exerted, and has still resulted in a loss after the customer had moved. Ninety per cent of our total losses were found to be on accounts that had been on our lines, and in one location, for up to as long as five years. These studies clearly indicated that neither paying record nor length of service (at least up to five years) was necessarily indicative of final loss when the account was closed. Therefore, we decided to request deposits in the high-loss areas, and to do this on an automatic basis without regard to previous paying record. We do receive numerous calls from the customers as a result of the deposit requests. Many of these customers are satisfied by a general explanation of our policy of requiring deposits on residential accounts. If this general explanation does not satisfy the customer, we check his previous record, employment, etc. We waive between ten and fourteen per cent of such automatic residential deposit requests as a result of these calls. Such inquiries were anticipated when we embarked upon the automatic deposit request policy. We still consider this method of handling to be less expensive than to attempt to search out and analyze the customer's prior record of payment, employment, etc. This consideration is based upon the analysis of losses mentioned above. This finding that prior paying record does not insure payment of a final bill seems to be particularly true in certain areas where eliminating of overtime, layoffs, and demotions immediately change the customer's ability to pay. We still carefully screen each commercial application, and none of these service orders is handled on any "automatic" deposit basis.

J. R. DiJulio, Credit Manager, City of Seattle, Department of Lighting, Seattle, Washington: Our utility has considered the trend of securing deposits on a high loss area basis but as yet we have not completed our study. In order to verify the adoption of such a policy of securing deposits based on a high loss area basis posing many problems, we have placed certain properties, in particular certain apartments, on such a basis but even have experienced some minor difficulties in these cases. Occasionally you will find a former customer with years of loyal service moving into such a building and objecting to the payment of a security deposit. The utility is then faced with the problem of whether to make an exception in this instance, and if it does and it becomes known in the building, other tenants immediately revolt. One of our Pacific Coast utilities faced with the same problem has adopted the practice based on their findings that their experience has shown that the majority of their residential problems and their subsequent bad debt loss came from customers using their service at a residence for a period of nine months or less. All applications are checked at their residence location files and any customer moving into a residence that has had three previous tenants in less than 12 months is automatically requested to pay a deposit or must have A-1 credit standing. This utility disconnected all service upon becoming vacant. This fact must also be taken into consideration in the establishing of a deposit policy. It is my belief that if both public and private utilities could arrive at some standardized practice in taking deposits, it would simplify this problem for us all.

Ray Kaiser, Southwestern Bell Telephone Company, St. Louis, Missouri: We have followed this practice to some extent in economically depressed areas. However if the applicant has a previous record with us, we will be guided by that record, good or bad. Consequently, if there is a *good* previous record, and we can determine that his or her general economic status is about the same or better than during the time the good record was established, we will waive deposit. This is as it should be because a good credit record takes time and effort to establish and should be given full consideration. We find, as a rule, that people who have a good credit record are justly proud of it and will go to considerable lengths to maintain, defend and call it to attention whenever the question of credit becomes an issue. Therefore any business can expect to encounter considerable resistance if this good credit record is not given all the consideration it justly warrants.

Earl Massengill, Credit Manager, Lone Star Gas Company, Dallas, Texas: This is a procedure which we have been following for quite some time. Reference is always made to the customer's previous paying record, however, when we are considering our deposit requirements. Any applicant who used service with us previously and who paid his account in a prompt manner including his closing bill would not be required to post a deposit. There is very little objection to our request for deposits and

when objections are made these applications are considered on an individual basis and on the information furnished by the applicant.

H. P. Rabey, Office Manager, Savannah Gas Company, Savannah, Georgia: Our company requires a meter deposit from every one, and should service be disconnected for non-payment of bills then an additional deposit is required, usually a sufficient amount to cover two months bills. In the high loss, slow pay areas, service is interrupted (after notice to customer) by meter reader for a one months unpaid service bill.

R. T. Schatz, Division Administrative Assistant, The Washington Water Power Company, Spokane, Washington: Securing deposits in my opinion is not the answer for preventing losses in poor districts. The only way to prevent high losses for service rendered to known poor paying customers or credit risks is to place them all on a faster and closer collection follow up system. In other words if bill is not paid within ten days after rendered it is considered in default and you have the right after proper notice, to collect or discontinue service before a second meter reading is taken (called current follow up system for deadbeat customers, habitual offenders, repeater type, etc.). When deposits are requested and after spending considerable time collecting, placing on record, etc. the customer has the right to use service until amount of deposit is used up. After which time it is usually found not easy to take drastic action to get account back on current basis and usually customer moves owing much more than amount of deposit and this unpaid balance is found to be a tough recovery problem.

Frank A. Seffel, City Public Service Board, San Antonio, Texas: We are not requesting deposits on an area basis—all residential deposits are $10.00 with us.

Petroleum Group

QUESTION

"Do oil companies having burner service departments maintain separate fuel oil product and burner service ledgers, or do they combine the charges and send one statement to the customers?"

ANSWERS

H. M. Barrentine, Manager, Credit Cards, Skelly Oil Company, Kansas City, Missouri: We maintain one account for those customers who purchase both fuel oil, gasoline and other products from the tank wagon salesman. It is our thinking that a one account statement better satisfies the customer, rather than sending two separate statements. Additionally, we believe that one statement avoids the possibility of errors in properly crediting payments.

J. D. Hartup, Regional Credit Manager, Standard Oil Company of California, Western Operations, Inc., Spokane, Washington: The Standard Oil Company of California, Western Operations Division in the Northwest has two methods of selling fuel oil customers. The first group constitutes approximately 75 per cent of our customers, which for various reasons prefer to buy from us and pay their account on a 30-day basis. There is a select group of accounts to whom we offer a budget account. The customer gives us an estimate of the cost of annual requirements of fuel. We then set up a budget account so that he can pay it in ten monthly instalments commencing in September. A packet of envelopes is provided each of these customers and he mails the monthly payment direct to the Accounting Office. In case of delinquency, the collection is followed very similar to the way we handle credit cards. We do not have any burner oil service department.

H. L. Miller, Assistant Manager, The Pure Oil Company, Palatine, Illinois: In our Company we combine the charges. While internally each department is operated separately for accounting purposes, at the Accounts Receivable level a customer's account is reflected on only one ledger card and this one shows any and all charges that might accrue to this customer. This ledger card includes all oil deliveries, any pump-out that might be necessary for repairs, all service charges for minor repairs and any major charges due to installation of a new burner or a new furnace. From knowledge gained from competitive companies at meetings, they also use single statement billing. Below are listed comments as to why I feel that this is a better method: One. Single ledgers produce a true picture of the customer's purchases. Two. At the credit follow-up level, it prevents a customer becoming past due on either burner or oil and then receiving either additional burner work or deliveries when delinquency is shown in separate reports. It also keeps the customer in a position based on his ability to pay. Three. It gives us a picture of how many of our oil customers are availing themselves of our Service Department. Four. When mailings are made to all customers, it eliminates duplicates being sent to the same person. Five. It eliminates separate record keeping. Six. In preparation of a single statement, the collating of cash received from the customer does not require a splitting between two separate ledger controls when money is sent on one check.

William Stockton, Manager, Credits and Collections, The Atlantic Refining Company, Philadelphia, Pennsylvania: The charges are combined into one account. We even have a budget plan account which includes both the product and the burner service. Since we also handle credit cards with a great many of these customers, we combine the three accounts in one, i.e., credit card purchases, fuel purchases, and the burner service.

Jack Terry, Credit Manager, Independent Gasoline and Oil Company of Rochester, Rochester, New York: We, at Independent, maintain *one* ledger and send *one* statement at month end to each customer. We feel that one statement is less confusing to the customer. A single statement also prompts faster payment, as the customer, in most cases, wants to write one check and "get it over with." On the other hand, the combining of burner service charges with oil product charges can also confuse a customer, particularly if he is a budget customer who pays a specified amount each month. If burner service is completed after September, and after our Budget Plan gets under way, our terms are 30-days net on this work. If the work is completed before September, and the start of our ten-months Budget Plan, the cost is included in the plan and can be amortized over the ten months. We prefer *one* statement but suggest that your sales people have a complete understanding with the customer from the start as to terms of payment and what each must expect of the other. There is no better time to shoot for good understanding and better collection percentages than at this point.

Reading this publication carefully and regularly will contribute to your success as a Credit Executive.

Local Association Activities

. . . Lake Charles, Louisiana

At the organizational meeting of the Credit Executives Association, Lake Charles, Louisiana, the following officers and directors were elected: President, Joe Quick, Muller Company; Vice President, William Thompson, Calcasieu Marine National Bank; and Secretary-Treasurer, Mrs. Anna Fontenot, Credit Bureau of Lake Charles. Directors: W. J. Krause, Krause and Managan; Ruth Miller, Honeycutt Furniture Company; Marlin Murphy, Sears Roebuck & Company; and Marshall D. King, Credit Bureau of Lake Charles.

. . . Washington, D. C.

At the annual meeting of the Retail Credit Association of Metropolitan Washington, Washington, D. C., the following officers and directors were elected: President, Frank W. Miller, Julius Garfinckel & Company; First Vice President, James H. Sengstack, S. Kann Sons Company; Second Vice President, Mrs. Edna Rothe, Suburban Trust Company; Treasurer, Mrs. Margaret Boykin, The Hecht Company; and Secretary, John K. Althaus, The Credit Bureau. Directors: Chester Carter, Woodward & Lathrop; Joseph Doino, Sears Roebuck & Company; John Gorman, Riggs National Bank; Mrs. Audry Hacker, Central Charge Service; Irving Kobin, S. Kann Sons Company; Durward Lockett, Julius Garfinckel & Company; and William Solomon, University Shop.

. . . New York, New York

The new officers and directors of the Associated Retail Credit Men of New York, New York, New York, are: President, Joseph P. Garcia, American Express Company; Vice President, John H. Taylor, Black Starr & Gorham; and Secretary-Treasurer, R. M. Severa, Credit Bureau of Greater New York. Directors: John M. Gribbon, Macys-New York; John M. Hilgert, Lord & Taylor; John T. McCaffery, A. Sulka & Company; Joseph P. Searing, W & J Sloane; George S. Watkins, Martin's; Charles W. Weyel, Stern Brothers; Sigmund R. Trotta, Brooks Brothers; Herbert H. Keyes, Wallach's; James M. Malloy, Abraham & Straus; Robert O'Hagen, Peck and Peck; Russell Perry, Bonwit Teller; Philip Schechter, Saks Fifth Avenue; and Rex L. Smith, Sunrise Coal Company.

. . . Seattle, Washington

The following officers and directors of the Retail Credit Association of Seattle, Seattle, Washington, were elected to serve for 1961-62: President, Robert E. Donnell, Hemphill Oil Company; First Vice President, Raymond C. Johanson, Frederick & Nelson; Second Vice President, Charles P. Higgins, Seattle First National Bank; Treasurer, James H. Van Otegham, National Bank of Commerce; and Secretary, Myron T. Gilmore, Seattle Credit Bureau. Directors: Merle B. Jewell, Boeing Employee's Credit Union; Glen H. Neumann, Bank of California; Richard L. Noland Union Oil Company; Edward W. Pipe, Allied Building Credits; Edward J. Taylor, Northwest Acceptance Corporation; and Richard D. Tweten, The Bon Marche. Past President is William M. Totten, Washington Mutual Savings Bank and the Executive Secretary is E. DeWitt, Seattle Credit Bureau.

. . . Providence, Rhode Island

The new officers and directors of the Retail Credit Granters of Rhode Island, Providence, Rhode Island, are: President, Jay V. O'Dell, Old Colony Cooperative Bank; Vice President, Lois J. Valentine, Gladding's; and Secretary-Treasurer, Clinton W. Briggs, Providence Credit Bureau. Directors: Herbert A. Doyle, Petroleum Heat & Power Company; Sarah Grayson, American Guaranty Corporation; Frederick E. Hardy, The Outlet Company; Daniel W. Moraski, M. A. C. Plan Company of Rhode Island; William A. Reed, The Shepard Company; Milton Rose Peerless Company; Freda L. Rosenberg, Virginia Dare Stores; John O. Shepard, Industrial National Bank; and Ellis Turner, Atlantic Refining Company.

. . . Gadsden, Alabama

The Gadsden Retail Credit Association, Gadsden, Alabama, elected the following officers and directors at a recent annual meeting; President, Ray Iglehart, Rhodes Furniture Company; First Vice President, Robert Witt, Noland Credit Company; Second Vice President, Fred White, Sears, Roebuck & Company; and Secretary-Treasurer, W. W. Taylor, Credit Bureau of Gadsden. Directors: Grady Gillam, American National Bank; Carl McClain, Sherwin-Williams Paint Company; Marie Tatum, Sterchi Furniture Company; Mary Sewell, Williams Furniture Company; W. A. Smith, Western Auto Stores; Charles Abercrombie, Duncan's Department Store; and Alpha Franklin, Seaboard Finance Company.

. . . St. Petersburg, Florida

At the annual meeting of the Credit Granters of St. Petersburg, St. Petersburg, Florida, the following officers and directors were elected: President, Kathryn Metz, First National Bank; Vice President, Arthur Willis, Murphy Corporation; Secretary, Alec Peterson, The Credit Bureau; and Treasurer, Olive Phillips, Rutland's Department Store. Directors: Alice Bisbee, Union Trust Company; Ray Macauley, Webb's City, Inc.; Esther Moore, City Fuel Oil Company; and George LaForte, Sirmons Supply Company.

. . . Chicago, Illinois

At the annual meeting of the Retail Credit Association of Cook County, Chicago, Illinois, the following officers and directors were elected: President, George H. Landis, Carson Pirie Scott & Company; First Vice President, James A. Cooke, Harris Trust & Savings Bank; Second Vice President, George E. Strohm, Standard Oil Company; Treasurer, Burton H. Schwartz, Charles A. Stevens & Company; and Secretary, Carl S. Hobbet, Credit Bureau of Cook County. Directors: Carol L. Arnold, First Bancredit Corporation; Robert M. Hartle, Morris B. Sachs; Charles J. Keating, First Federal Savings and Loan; Effie J. Keller, Lake Shore National Bank; Frank D. Kollmer, Aldens; James P. Millsap, Allied Radio; James Thomson, Jr., First National Bank of Chicago; Donald B. Weren, Benson and Rixon; Joseph A. White, The Fair; and Vern Whiteside, Cities Service Oil Company.

Consumer Credit Outlook

▶Business recovery continues as the nation moves into the final quarter of 1961. This year and the next will see new records for total activity. Consumer income is high and rising. Personal consumption is headed up in all major categories. Personal savings which is now at a record high will taper off in the months ahead as consumers withdraw funds to purchase needed goods. Consumers still remain the potent force in our economy. They spend far in excess of business and government. They are actually a stabilizing influence in that a majority of their expenditures are for the necessities of life. This spending is little influenced by a mild recession.

▶Consumer instalment credit outstanding, seasonally adjusted, decline $74 million in July while credit extensions fell to the lowest level since April. Repayment of debt increased slightly. Automobile credit dropped $102 million on a seasonally adjusted basis. Other consumer goods paper increased $13 million, Repair and modernization loans credit showed little change. Personal loans outstanding rose $18 million. Total Instalment Credit outstanding at July 31 stood at $42.5 billion. Total Non-instalment Credit outstanding for the same month was $12.2 billion. Total Consumer Credit Outstanding, July 31, $54.7 billion.

▶Consumer credit outstanding at Consumer Finance Companies was estimated to be $4.2 billion at July 31. Volume extended by these companies amounted to $491 million during the month. Although their outstanding were up, the volume extended was off $21 million from the previous month.

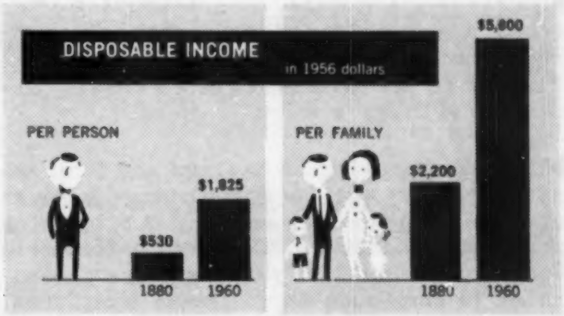
▶Consumer credit held by Commercial Banks at July 31 was estimated at $16.8 billion ...$47 million below the preceding month. Extensions of credit during July were down $112 million from June, 1961.

▶The President is reported to be ready to move ahead on his campaign pledge to establish an Office of Consumers Council in the White House. Expect an announcement to be forthcoming in the not too distant future. Rumors on the West Coast are to the effect that Mrs. Helen Nelson, Consumer adviser to Governor Brown, is a good prospect for the top job.

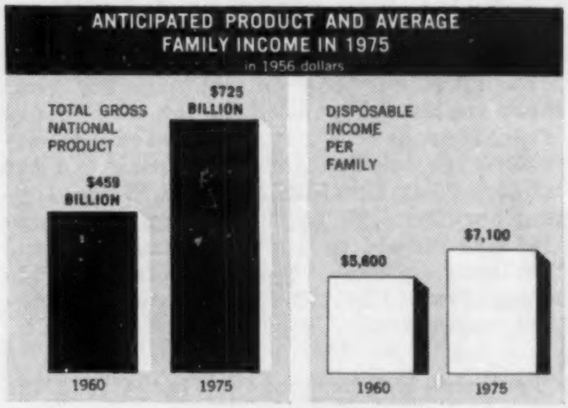
▶The largest single cause of sudden death among West German business executives is heart failure. Life insurance companies report that it is most likely to strike men between ages of 55 and 59...on Monday...in the first week of January. The most probable victims are men who drink heavily.

▶Beauty care by the year is now available. Printers' Ink reports that Antonio Bonilla Coiffures Inc., New York, is offering to a select group of clients a year of coiffure care (shampoos, sets, hair cutting) for $500. The client can come any time she wishes and as often as she wishes. Customer reaction reportedly has been enthusiastic.

▶Canadian members of the Franciscan Order are carrying credit cards these days. When one enters the order, he takes a vow of poverty and is not supposed to carry money.



Disposable income per person—what is left for each individual to spend or save after payment of all taxes—more than tripled over the period. This increase is smaller than the quadrupling of product per person due to the fact that taxes per person became higher on the average. Disposable income per family also rose, but not by the same percentage because the number of persons per family has declined.



If the long-term rate of growth in GNP continues at 3 per cent starting from 1956, by 1975 gross national product will rise to $725 billion measured by 1956 prices. At that time, if the share of GNP absorbed by government does not change, American families will have an average of $7,100 available annually for spending and saving, after taxes. This also is in terms of the 1956 purchasing power of the dollar.

Changes in Department Store Sales and Accounts Receivable

July 31, 1961		Percentage change from:	
		Month ago	Year ago
Sales during month:	Total	−16	+ 2
	Cash	−15	+ 2
	Charge	−19	0
	Instalment	−11	+ 9
Accounts receivable, end of month:			
	Charge	− 8	− 2
	Instalment	− 1	+ 3

Collection Ratios and Percentage Distribution of Sales

July 31, 1961		July 1961	June 1961	July 1960
Collection ratios[1]:	Charge accounts	47	48	45
	Instalment accounts	14	15	14
Percentage distribution of sales:				
	Cash	43	43	44
	Charge	40	41	41
	Instalment	17	16	15

[1]Collections during month as a percentage of accounts receivable at beginning of month.

Short- and Intermediate-Term Consumer Credit Outstanding
(Estimates, in millions of dollars)

Type of Credit	July 31, 1961	Increase or decrease (−) during: July		
		Unadj.	Sea. Adj.	Year ended July 31, 1961
Instalment credit, total	42,457	16	− 74	407
Automobile paper	17,358	0	−102	−535
Other consumer goods paper	10,636	− 30	13	184
Repair and modernization loans	2,964	6	− 3	30
Personal loans	11,499	40	18	728
Noninstalment credit, total[1]	12,230	−115	119	471
Single-payment loans	4,523	− 24	105	258
Charge accounts[1]	4,272	− 77	− 4	− 39
Service credit	3,435	− 14	18	252
Total consumer credit	54,687	− 99	45	878

[1]Includes amounts outstanding on service station and miscellaneous credit-card accounts and home-heating oil accounts, which totaled $458 million on July 31, 1961.

The Rev. Irenaeus Herscher, O.F.M., treasurer of the Franciscan Education Conference, disclosed the north-of-the-border development.

▶Gamble-Skogmo, Inc., is instituting a "no money down" mail order credit policy on sales totaling $15 or more. This is the first time the firm has offered credit purchases without a down payment.

▶The tax exemption of Savings and Loan Associations as well as Mutual Savings Banks appears safe for this session. A bill which would have increased taxes nearly $550 million in the next five years appears pigeonholed in the House Ways & Means Committee. It is almost certain to come up in the second session which convenes in January, 1962.

▶A group of Republican members in the House, led by Thomas B. Curtis, Missouri, has for six months been examining unemployment with the aid of 24 academic economists. Among their conclusions: One, there are more unfilled jobs in the country than there are unemployed. Two, the chief cause of joblessness is not automation but deficiencies in vocational training and the job-locating services of the U. S. Employment Service. Three, retraining is essential and should be left to management and the labor unions. Four, tax laws should be modified to help bring jobs and the jobless together.

▶The Council of Economic Advisors told the President that American consumers spent more and saved more in the April-June 30 period. During the second quarter 1961, Consumer Disposable Income was $361.8 billion...up 7.5 billion over the first quarter. His Personal Consumption Expenditures were also up...$336.1 billion. Also, Consumer Personal Savings were $25.8... representing 7.1 per cent of disposable income. Quarterly totals are at the seasonally adjusted annual rates.

▶E. C. Tritel, general credit manager and assistant controller, Harris & Frank, Los Angeles, states that stores may know everything about merchandising, but precious few know how to use a credit department. Women's Wear Daily reports Mr. Tritel as stating that "Management should quit thinking of credit departments as necessary evils and begin using them as effective sales tools. On the other hand, credit cannot be used loosely. It is not a substitute for sound merchandising." It pains Mr. Tritel that many merchants still feel a stigma is attached to credit. He feels credit people should be given equal ranking with merchandising and advertising personnel. Says Mr. Tritel, "Most companies lose the fact that credit people must be skilled in many fields such as automation equipment, personnel, finance, and even merchandising."

▶Montgomery Ward & Co.'s new travel service will be handled by Fugazy Travel Bureau, Inc. Customers will buy and pay for travel service through Wards. All of Ward's credit plans, revolving and time payment, will figure in the new service. Ward's estimates a $20 million annual sales potential through its new service. It will be sold to American families on a "travel now, pay later" basis.

▶One of the nation's major department stores is trying out door-to-door selling to recoup business lost to shopping centers and discount houses. Offered on the first go-round will be costume jewelry, nylons,

candy, artificial flowers, and beauty preparations.

▶Inflation could be the nation's number one problem a few months ahead. It will come through the wage-price spiral, government spending, and deficit financing route. Business must trim its sails accordingly. The Federal Reserve is keeping a close watch on the nation's economy. Probable action may come by year-end should the Cost of Living Index continue to rise during the next few months.

▶Businessmen are watching what goes on in the Nation's Capitol very closely. They are quite worried about the Administration's attitude and the anti-trust "crackdowns." There are rumors that the President is also disturbed about the same problem. He is now talking with more top business leaders and seeking their advice. Secretary of Commerce Luther H. Hodges is working to bring about a better understanding of the place of business and government in today's economy. (See Secretary Hodges article on page 12 of this issue.)

▶The total financial assets of individual Americans is one trillion dollars Fortune Magazine reports. The figure has grown 2½ times since 1945. The figure covers such items as financial assets of partnerships, proprietorships, trust funds and nonprofit institutions, but not non-financial assets like cars, jewelry and homes.

▶Now is the time to review your credit staff in the light of the draft. The state of world affairs has emphasized the need for review from a long range standpoint. Louis Kraar, writing in the Wall Street Journal, says that the Pentagon's current call-up of reservists is pushing the nation's citizen soldiers into an expanded role that may long outlast the Berlin crisis.

▶Giant Food, Inc., a chain operating in the Washington, D. C. area, has launched a discount credit plan offering a 30-day, budget and revolving features in a single account. There will be no service charge on 30 day purchases but extended payment accounts will carry a one per cent charge per month on unpaid balances. More than 200,000 cards have been mailed to customers now holding check-cashing identification cards. Another large grocery chain is reported ready to enter the credit grocery field shortly.

Consumer Instalment Credit, by Holder and Type of Credit

(Estimated amounts outstanding, in millions of dollars)

Type of credit and institution	July 31, 1961	Increase or decrease (−) during: July 1961	July 1960	Year ended July 31, 1961
Total	42,457	16	298	407
Commercial banks	16,757	− 47	94	518
Sales finance companies	10,750	− 18	117	−312
Credit unions[1]	4,110	36	53	431
Consumer finance companies[1]	4,165	14	92	116
Other financial institutions	1,856	− 10	20	28
Retail outlets[2]	4,819	41	− 78	−374
Automobile paper	17,358	0	138	−535
Commercial banks	7,994	20	59	− 25
Sales finance companies	7,182	− 32	55	−640
Other financial institutions	1,692	12	20	156
Automobile dealers	490	0	4	− 26
Other consumer goods paper	10,636	− 30	− 10	184
Commercial banks	3,004	− 81	6	314
Sales finance companies	2,453	6	50	228
Other financial institutions	850	4	16	− 10
Department stores[3]	1,794	62	− 53	−226
Furniture stores	1,067	− 9	− 8	− 57
Household appliance stores	274	2	− 1	− 16
Other retail outlets	1,194	− 14	− 20	− 49
Repair and modernization loans	2,964	6	29	30
Commercial banks	2,116	5	14	− 3
Sales finance companies	71	2	3	19
Other financial institutions	777	− 1	12	14
Personal loans	11,499	40	141	728
Commercial banks	3,643	9	15	232
Sales finance companies	1,044	6	9	81
Other financial institutions	6,812	25	117	415

[1]Estimates of loans at credit unions and consumer finance companies by type of credit are included with figures for other financial institutions.

[2]Figures by type of retail outlet are shown below under the relevant types of credit.

[3]Includes mail-order houses.

Consumer Instalment Credit Extended and Repaid, and Changes in Credit Outstanding

(In millions of dollars)

	Total	Automobile paper	Other consumer goods paper	Repair and modernization loans	Personal loans
Without seasonal adjustment					
Credit extended					
1961—July	3,976	1,383	1,095	164	1,334
June	4,402	1,525	1,214	178	1,485
1960—July	4,156	1,473	1,085	183	1,415
Credit repaid					
1961—July	3,960	1,383	1,125	158	1,294
June	4,088	1,409	1,150	163	1,366
1960—July	3,858	1,335	1,095	154	1,274
Seasonally adjusted[1]					
Credit extended					
1961—July	3,961	1,301	1,172	154	1,334
June	4,116	1,347	1,190	167	1,412
1960—July	4,214	1,427	1,168	176	1,453
Credit repaid					
1961—July	4,035	1,403	1,159	157	1,316
June	4,016	1,386	1,137	160	1,333
1960—July	3,997	1,385	1,148	155	1,309
	Increase or decrease (−) in outstanding credit, seasonally adjusted[2]				
1961—July	− 74	−102	13	− 3	18
June	100	− 39	53	7	79
2nd qtr. mo. av.	− 4	− 78	7	5	62
1st qtr. mo. av.	− 88	−129	7	−10	44
1960—4th qtr. mo. av.	126	32	34	− 1	61
3rd qtr. mo. av.	179	38	10	20	111
2nd qtr. mo. av.	429	187	104	33	105

[1]Includes adjustment for differences in trading days.

[2]Seasonally adjusted changes in outstandings derived by subtracting credit repaid from credit extended.

NOTE:—Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include finance, insurance, and other charges covered by the instalment contract. Renewals and refinancing of loans, repurchases or resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

editorial

WILLIAM H. BLAKE
Executive Vice President

EACH WEEK a number of local credit association and credit bureau *Bulletins* go over my desk. These are read not only to keep up with "what's happening" but to get "helpful information" to pass on to other NRCA members. *Knowhow* is the key to successful credit management!

One bulletin which is consistently good is THE CREDIT REPORTER published by the Merchants Credit Association of Birmingham, Alabama. Two short articles I would like to pass on to you. With consumer credit operations changing daily, legislative threats hanging over the credit industry, and consumer bankruptcies on the increase, it behooves all credit bureau managers and credit sales managers to work more closely than ever. Only through cooperation can we survive as an unregulated industry!

1.

It's A Two Way Street

The successful operation of a Credit Bureau requires that it operate as a "two-way street."

In order to give you the service you need and expect, we must have accurate and current ledger information on your customers.

Subscriber protection depends on the completeness of bureau files. With your bad accounts listed in our files, we can help you collect in many cases by furnishing you with new addresses, new employments, or other new information. At the same time you will be protecting other merchants from a bad account.

As you travel along this "two-way street," safer and surer because of Credit Bureau reports, the traffic you meet will be your ledger information combined with that of hundreds of other merchants.

Yes, this is a two-way street—but our destination is the same—faster, more accurate and complete information, better paying customers.

Exchanging information through the Credit Bureau saves time and protects your interests.

2.

Keeping Your Losses To A Minimum

Today the retailer must depend on service to maintain a healthy, growing business. Extending credit is one of the most valuable services you can render to your customer.

In our stores, we have found that our credit losses can be kept to a minimum by checking every charge application with Merchants Credit Association. We do not assume that any applicant's credit is good just on name and appearance alone. If there is doubt concerning the ability to pay, we prefer to tactfully deny credit to such an individual.

Merchants Credit reports enable us to better serve reliable, dependable customers and this same applicant considers it a compliment to have been checked out and approved. Most people today question indiscriminate credit practices.

Our credit department maintains an up-to-date control as to the age of each account's balance. Since we do not offer extended credit terms, this system enables us to keep our past due balances to a minimum. This method of keeping our customers on a current basis tends to make them more willing to shop with us more frequently.

We say with pride that our credit files would show a preferred customer list because we are conservative in our approach in extending credit to deserving applicants.

Sterling S. Speake

Outline

RETAIL CREDIT COURSE

Conducted by STERLING S. SPEAKE

National Retail Credit Association

FIRST SESSION

A. Introductions

B. Opening the Account

1. Credit as a Business Force
   a. Credit Conditions
   b. Credit Trends
   c. Credit Problems
   d. Credit Recommendations
2. Obtaining Applications for Accounts
3. Interviewing the Applicant
4. Investigating and Analyzing the Risk
5. Accepting and Declining Applications

(10-Minute Intermission)

C. Controlling the Account

1. Authorizing Purchases
2. Bookkeeping for Credit Control
3. Age Analysis of Accounts
4. Special Problems of Credit Office
5. Credit Sales Promotion

SECOND SESSION

A. Brief Review

B. Collecting the Account

1. How to Locate Skips
2. Fundamentals of Collections
3. Collection Tools and Methods

(10-Minute Intermission)

4. Rules for Collecting
5. Rehabilitating Past-Due Accounts

C. Bad Debt Losses

D. NRCA & ACBofA Material

E. Examination for NRCA Certificate

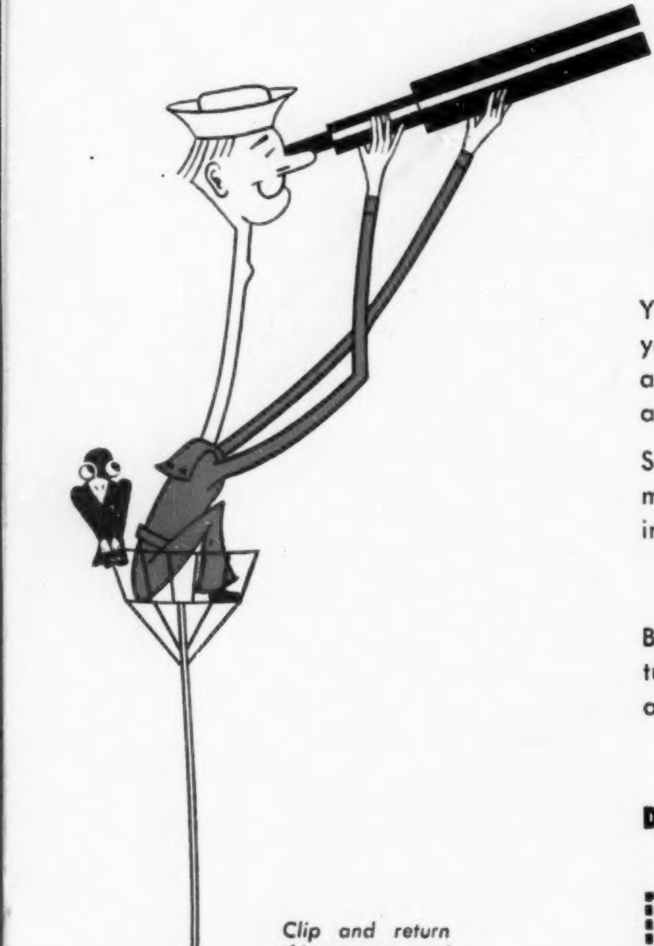
• • •

Please write the National office for details and open dates.

take a

LONG LOOK

AT YOUR ASSOCIATION'S GROUP INSURANCE PLAN



Clip and return this coupon and complete information will be sent you promptly

Here's STAR Performance for you!

You will value a thorough study and understanding of your NRCA Group Life Insurance Plan. Through it, you as a member can obtain needed Life Insurance Protection and the peace of mind that comes with it.

Since this plan went into effect on December 1, 1959, more and more members are recognizing — and profiting by — the advantages of our Association's plan.

AND NOW

Both American and Canadian members have an opportunity to enroll in the NRCA Group Insurance plan as we are having an "Open House" period until

December 1, 1961

DON'T LET THIS OPPORTUNITY SLIP BY... ENROLL NOW!

National Retail Credit Association
375 Jackson Avenue
St. Louis 30, Missouri

Please send me without obligation details and an application form for the N.R.C.A. Group Life Insurance Plan. I am a member in the United States ( ) in Canada ( ).

Name ....

Address ....

City ....